

Simplifying the Supplemental Security Income Program: Challenges and Opportunities

Preface

Commissioner Kenneth S. Apfel issued the report *The Supplemental Security Income Program at the Millennium* on November 30, 2000. That report covers the evolution of the program, issues of benefit adequacy, the challenge of simplifying the SSI program, and current efforts to enhance the integrity of the program.

The report that follows provides a full discussion of SSI program simplification, expanding on information provided in the chapter on that subject contained in the Commissioner's report. Questions about the report should be addressed to Richard Balkus at (202) 358-6012.

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Executive Summary

The Supplemental Security Income (SSI) program provides cash assistance to more than 6½ million of the nation's most vulnerable people. This report assesses the complexity of the program and options for simplifying it. The assessment includes identifying the factors that lead to complexity and the consequent issues of trying to simplify the SSI program. The report analyzes options for simplifying policies for wage accounting, resource exclusions, and living arrangements and in-kind support and maintenance but makes no recommendations. The remaining challenge is to further assess the tradeoffs that the options present between simplifying the program and meeting its objectives.

The Challenge of Simplifying the SSI Program

Complexity is unavoidable in any means-tested program. By definition, such programs require, at a minimum, that the beneficiary meet some sort of income test. The complexity of the SSI program is rooted in the requirement to determine eligibility using an extensive set of rules covering income, resources, living arrangements, and, for beneficiaries under age 65, a disability requirement. The program is also responsive to the beneficiaries' changing circumstances and requires that they report minor changes that may affect their eligibility or the amount of their monthly benefit.

Program complexity for the Social Security Administration's customers and employees refers to the extent and intensity of their effort in establishing eligibility and benefit amounts. Simplification is a strategy for reducing the complexity of program rules to make the program easier to administer while still achieving the following objectives:

- **Benefit adequacy**, or ensuring a minimum level of income for blind, disabled, and aged persons to meet the basic necessities of living.
- **Benefit equity**, or ensuring by objective criteria that people with like income and resource levels are treated the same way.
- **Program integrity**, or ensuring that benefits are paid accurately, efficiently, and with no tolerance for fraud.

Tension exists between program simplification and these objectives. The challenge of program simplification is to find the outcome that best supports all three objectives.

One way to assess the complexity of the SSI program is to view it in the context of other federal means-tested programs, such as the Food Stamp and Veterans Pension Benefits programs. The differences in those programs and the relative complexity of some of their policies reflect not only the obvious differences in the programs' design but

also how each program addresses its objectives. Comparing all three programs provides some lessons. For example, the greater the reliance on income and resource exclusions to address the objectives of benefit adequacy and benefit equity, the greater the degree of program complexity.

Wage Estimation and Verification

Wages are the leading cause of incorrect payments, and the current requirements for estimating and verifying wages are time-consuming and difficult for employers, employees, and the agency to comply with. SSA uses monthly income to determine the amount of monthly benefits. If an employee is paid weekly or biweekly, the agency must determine how many paydays fall in each month.

Estimating average wages per month and averaging verified wages over the period worked or a calendar year would reduce the burden on employees and beneficiaries and simplify program administration. The analysis on using average wages indicates that most beneficiaries would receive the same or nearly the same annual benefits as under current policy. The analysis also shows that wage averaging would support the three basic program objectives as well as or even better than the current policy does.

Resource Exclusions

Although the policy on the amount of resources that can be excluded in determining eligibility is straightforward, determining what counts toward the resource limit can be more difficult. The program excludes certain resources depending on such factors as their source, form, purpose, and value. The employee must review each type of resource to determine whether those factors allow it to fall under one of 17 basic categories of excludable resources.

Four options for simplifying the current policy on resource exclusions are analyzed in this report. The first three options represent incremental changes and are not exclusive of one another. Together the options would significantly simplify the SSI program and would generally address the program objectives at least as well as current policies do. The fourth option represents a significant change in current policy by eliminating 10 exclusions and substantially increasing the resource limits. That option would achieve the greatest degree of program simplification but would also be the most costly.

Living Arrangements and In-Kind Support and Maintenance

The rules governing living arrangements and in-kind support and maintenance (ISM) are criticized as being overly complex, intrusive, subjective, and inequitable. The analysis suggests that although the policies are complex, the extent of the

problem is overstated. Over the years, many options have surfaced that would simplify current policies. Some options would have provided benefits to persons with less need or would have required a substantial increase in program costs. No option has emerged from previous efforts as a clear winner.

Six options for simplifying the rules in this policy area are analyzed for this current effort. The analysis considers the balance between program objectives and highlights the choices that must be made when evaluating the options. The first two options do not consider the value of ISM when determining the amount of the benefit. The other four options count the noncash support available to SSI beneficiaries. Those options range from changing the rules for pro rata sharing to using a standard benefit reduction to account for economies of scale in cases of individuals who live with another adult.

Chapter 1

The Challenge of Simplifying the SSI Program

The Supplemental Security Income (SSI) program is the nation's largest cash assistance program for the poor. In FY 1999, the Social Security Administration (SSA) paid more than \$31 billion to 6.6 million aged, blind, and disabled beneficiaries (Social Security Administration 1999, pp. vi, 30). Those individuals are among the nation's most vulnerable people, and they rely on monthly cash benefits to meet the basic necessities of food, shelter, and clothing.

Complexity is unavoidable in any means-tested program. Every means-tested program, by definition, requires at a minimum that the beneficiary meet some sort of income test.

The complexity of the SSI program, however, goes beyond an income test. That complexity is rooted in the requirement to determine eligibility by using an extensive set of rules governing income, resources, and living arrangements. Beneficiaries under age 65 must also meet a disability requirement. The initial interview for some applicants involves answering more than 100 questions, and many answers require supporting documentation. The program is also responsive to the beneficiaries' changing circumstances and requires that they report even minor changes that may affect their eligibility or the amount of their monthly benefit. In FY 1999, the agency processed more than 20 million reported changes.

The complexity of the SSI program is also reflected in the program's administrative costs relative to those of SSA's Old-Age, Survivors, and Disability Insurance (OASDI) program. In FY 1999, SSI benefit payments represented only 7.6 percent of benefits paid under all SSA-administered programs, but the SSI program accounted for about 37.2 percent of the agency's administrative resources. In contrast, OASDI benefits represented 92.3 percent of benefits paid under all programs but required only 49.2 percent of the agency's total administrative resources (Social Security Administration 1999, pp. 23, 30).

This report has two primary objectives. The first is to examine the factors that lead to the complexity of the program and the consequent issues involved in trying to simplify its rules. In doing that, the report reviews the objectives of the program and how the policies reflect those objectives. It also compares the complexity of the SSI program with that of other selected federal means-tested programs. This objective is addressed in the sections that immediately follow the overview of the program in this chapter. Appendix B provides additional information about the Food Stamp and Veterans Pension Benefits programs, and Appendix C outlines recent efforts to simplify those programs.

The second objective is to identify and assess options for simplifying the SSI program. The analytic approach recognizes that complexity usually results from other solutions to problems or is the consequence of furthering the program's objectives. The issue is that the program may be more complex than is necessary for SSA to administer and still meet

its objectives. The report therefore focuses on three policies for which the cost of the complexity does not seem warranted by its benefits and for which there may be a significant payoff from simplifying the program. Those policies cover wage accounting, resource exclusions, and living arrangements and in-kind support and maintenance (ISM) and are discussed in Chapters 2-4.

The complexity of the SSI program has been a concern of internal and external reviews since the program began. The report recognizes and builds on the many prior efforts to simplify the program. Appendix A documents those initiatives and their contributions to legislative, regulatory, and procedural changes that have made the program less complex. Some of the options presented in this report reflect further development and analysis of options and recommendations from those prior efforts.

Overview of the Program

SSI is a means-tested program under Title XVI of the Social Security Act. The program provides a monthly benefit to people who have limited assets and income and are blind, disabled, or aged 65 or older. More than 1.3 million aged persons and 5.2 million blind and disabled individuals depend on monthly cash benefits (Current Operating Statistics 2000). The latter group includes more than 700,000 individuals aged 65 or older.

The maximum monthly federal benefit payable in 2000 for an individual living in his or her own household is \$512 and, for an eligible couple, \$769. The legislation establishing the program allows states to supplement the federal payment according to the needs of its citizens and resources. SSA administers the state supplement for some states. The average monthly federally administered payment in August 2000 was \$376 (Social Security Administration 2000).

Employees in SSA field offices determine whether an individual meets the income and resource requirements of the program. An individual may not have countable income that exceeds the maximum federal benefit rate.¹ The monthly benefit changes dollar for dollar with changes in countable income. There are two kinds of income. *Earned income* includes wages, net income from self-employment, and earnings from work performed in a sheltered workshop. *Unearned income* includes Social Security benefits, workers' compensation, interest and dividend income, and support and maintenance furnished in cash or in-kind.

The resource limits are \$2,000 for an individual and \$3,000 for a couple living in the same household. The regulations define resources as cash or other liquid assets or any real or personal property that the individual owns and could convert to cash to meet his or her basic living needs.

¹ Countable income is income minus all applicable exclusions. The general earned income exclusion is the first \$65 earned per month plus one-half of the remainder. The general unearned income exclusion is \$20 per month; however, any portion of the \$20 amount not used to exclude unearned income may be used to exclude earned income.

In some situations, the income and resources of an ineligible individual (that is, a parent, spouse, or immigration sponsor) may affect the beneficiary's eligibility and monthly payment. The Social Security Act refers to the procedures or formulas for allocating an ineligible individual's income and resources to the beneficiary as deeming.

The individual's living arrangement also affects his or her monthly benefit. Generally, beneficiaries who rent, own their own home, or pay their share of household expenses receive a higher monthly benefit than those who live in the household of another person and receive food and shelter from that person. If an individual moves into a Medicaid facility and his or her expected stay is for more than 3 full months, the monthly benefit is generally reduced to \$30. Individuals in public institutions throughout a month generally are not eligible for benefits in that month.

In addition to establishing eligibility according to means-tested criteria at the time of the initial application, SSA also periodically reviews the criteria with the beneficiary. The review is called a redetermination. The purpose of the review is to make sure the beneficiary still meets the income and resource criteria and to determine whether the monthly benefit is correct. A beneficiary also must report any events, such as changes in income, resources, living arrangements, and marital status, that may affect his or her eligibility or monthly benefit.

A claimant applying for SSI benefits on the basis of disability must be unable to engage in substantial gainful activity because of a medically determinable impairment that is expected to last at least 12 months or result in death. Eligibility based on blindness requires that the claimant's corrected vision not be better than 20/200 or that a person's visual field be limited to 20 degrees or less with the best correction. Federally funded state agencies follow Social Security regulations and rulings to determine whether an individual is blind or disabled. SSA conducts periodic reviews to determine whether a beneficiary has medically recovered and is no longer eligible for benefits.

Examining Program Complexity and Simplification

The terms "program complexity" and "program simplification" may mean different things to different people. SSI applicants and beneficiaries may define program complexity by referring to the extensive documentation that the program requires or to the frequency and complexity of notices they receive. SSA employees may refer to the complicated policies and procedures that they must follow to determine eligibility and benefit amounts. Program complexity for both customers and employees refers to the extent and intensity of their effort in those determinations. In that regard, the Social Security Advisory Board (1999, p. 5) noted:

Both SSA employees and SSI claimants and beneficiaries agree that SSI rules are overly complex. They are difficult to comprehend and difficult to administer. Complexity contributes to errors in payments, which can cause hardship and frustration for beneficiaries and further add to the agency's workload.

The factors that define the degree of program complexity include:

- The number of means-tested criteria for determining eligibility and benefit amounts;
- The reporting requirements, including the method and frequency of reports;
- The extent to which customers understand the rules; and
- The extent to which employees understand and explain the rules.

This report views simplification as a strategy for reducing the complexity (as defined above) of the program's rules to facilitate the administration of the program while still achieving its objectives.

SSI Program Objectives and Simplification

Benefit adequacy, benefit equity, and program integrity are three key objectives that SSA seeks to achieve in the SSI program. The objectives and the principles behind them have not only shaped the design of the program but also guide its administration. The challenge of simplifying the program is to find the outcome that best supports all three objectives.

Benefit Adequacy

A primary objective of the program is to achieve benefit adequacy—that is, to ensure a minimum level of income for aged, blind, and disabled persons to meet the basic necessities of living.

In reporting out the legislation establishing the SSI program, the Senate Committee on Finance (1972, p. 384) stated that the objective of the new federal program is “to provide a positive assurance that the Nation's aged, blind and disabled would no longer have to subsist on below-poverty-level incomes.” Legislation in the 2 years immediately after the program's inception increased the federal benefit rate to offset the impact of inflation and demonstrated an early commitment to that objective.² Other early legislation authorizing income and resource exclusions further supported the objective of benefit adequacy by increasing the overall assistance provided to the beneficiary.

There is not necessarily any tension between program simplification and benefit adequacy, but in efforts to simplify the program, benefit adequacy may conflict with the objectives of benefit equity and program integrity. For example, some beneficiaries'

² Public Law 93-368 enacted August 7, 1974, established the authority for providing simultaneous cost-of-living adjustments for both SSI payments and OASDI benefits.

benefits are reduced because they receive ISM. A policy decision not to consider ISM, however, would raise their benefits. Such a change would simplify the program, but it would not necessarily be equitable because it would confer the greatest benefit to beneficiaries who already may be better off.

Benefit Equity

The objective of benefit equity is to ensure, by establishing objective criteria for determining eligibility and benefit amounts, that people with like income, resource levels, and living arrangements are treated the same way.

Since the SSI program began, the objective of benefit equity and the principles underlying it have provided the most significant challenge to simplifying the SSI program. In establishing the program, Congress articulated two principles of benefit equity—uniformity and program of last resort.

The report of a 1973 study by the staff of the Joint Economic Committee's Subcommittee on Fiscal Policy (p. 45) stated that "The SSI program will establish nationally uniform income limits and benefit levels, in contrast to the considerable variations found among and within states under the current program." The House Committee on Ways and Means (1971, p. 149) further noted that "Beneficiaries and prospective beneficiaries would be required to apply for, and make every effort to obtain, any other payment—whether or not based on need—for which they might be eligible."

The demand for uniformity was the major reason for federalizing the state-administered programs. The courts and Congress recognized that the "structured discretion" exercised by the states in establishing eligibility criteria and determining benefit amounts sometimes resulted in individuals in similar situations not being treated in a similar manner (Melnick 1989).

Congress expected that the new program's flat-grant approach, with nationally established and objective levels of income support, would be a more equitable method for determining eligibility and benefit amounts. The state-administered methods for making such determinations required evaluating the specific needs of each applicant or beneficiary and involved time-consuming questioning and development for both the social worker and the customer.

The second principle, program of last resort, is the basis for requiring the agency to consider all income in calculating the monthly benefit. The principle reflects benefit equity in that the program tries to ensure that beneficiaries end up with the same amount of net income from benefits and other sources. Like the first principle, this one still calls for adhering to objective criteria; but it also requires calculating benefit amounts that address the differences in income that is available to beneficiaries.

From the start of the SSI program, Congress and SSA realized that the principle of uniformity was not always in agreement with the principle that SSI be a program of last

resort, which requires some assessment of an individual's needs. To build a program on the "last resort" principle compromised to some extent the administrative efficiencies that were expected from using nationally established and objective criteria. The challenge for Congress and the agency was to develop policies that struck a balance between the two principles—a balance that would maximize the objective of program equity and follow the intent to make the program simpler to administer and understand. (The early legislative history on how to treat the receipt of in-kind support and maintenance best illustrates the tension between these two principles and is discussed in Chapter 4.)

Program Integrity

The objective of program integrity is inherent in the agency's stewardship role, which includes ensuring that benefits are paid accurately, efficiently, and with no tolerance for fraud.

Congress expected that federalizing the state programs under SSA would produce greater efficiency, uniform determinations, and an increase in payment accuracy. The agency's quality assurance system, data-processing capabilities, and track record for independently verifying eligibility factors in administering the OASDI program created high expectations for its administration of the SSI program.

The commitment to maximizing the integrity of the program can impose costs by making the program more complex. For example, SSA has been criticized for relying too much on beneficiaries' self-declarations of other income. As one effort to bolster program integrity in that regard, the agency clarified in March 1999 the use of the beneficiary's signed statement as evidence that he or she is no longer receiving wage income. The instruction requires that field office employees document the attempts they make to obtain other evidence before resorting to the beneficiary's statement. The instruction also requires documenting the receipt of unemployment benefits. That requirement increases program complexity by expanding the effort of both the employee and the beneficiary in determining the benefit amount. However, the expected results are improved payment accuracy and, therefore, a reduction in the program and administrative costs that are incurred in processing overpayments.

Comparing the Relative Complexity of the SSI, Food Stamp, and Veterans Pension Benefits Programs

Another useful way to assess the complexity of the SSI program is to view it in the context of other federal means-tested programs. How complex is the SSI program relative to other programs?

A brief review of the income, benefit determination, and reporting rules of the SSI, Food Stamp, and Veterans Pension Benefits programs indicate significant differences.³ Those differences vary in terms of relative complexity and reflect the obvious differences not only in program design but also in how each program addresses its objectives. The review also indicates some lessons learned. For example, the greater the reliance on income and resource exclusions to address the adequacy and equity of benefits, the greater the degree of program complexity. Also, the methods for determining benefit amounts are significant indicators of relative complexity, and some of the options for simplifying the SSI program would move the program closer to the level of complexity of the methods used in the other two programs.

Income Rules

Some income policies in the Food Stamp and Veterans Pension Benefits programs seem less complex than comparable policies in the SSI program. For example, both the Food Stamp and Veterans Pension Benefits programs exclude ISM as income. The veterans' program also excludes cash contributions if the donor has assumed all or part of the responsibility for meeting the beneficiary's food and shelter needs and if the recipient uses the cash contributions to pay for those basic needs. By contrast, the income deductions and exclusion policies in both the Food Stamp and Veterans Pension Benefits programs appear more complex than SSI's.

The Food Stamp Act identifies seven kinds of deductions in calculating the net countable income used in determining the benefit amount. The standard deduction and the earned income deduction, like the general unearned income and earned income exclusions under the SSI program, seem straightforward and easy to apply. Other deductions, like the excess shelter and medical deductions, appear complex and include reviewing several categories of expenses in determining whether the deduction might apply. For example, the regulations list 10 types of medical expenses that are used in determining the excess medical deduction.

The Veterans Pension Benefits program also allows a number of income deductions for determining countable income, and some procedures seem particularly complicated. For example, the program allows an earned income exclusion for the child (that is, an exclusion up to the lowest amount of gross income for which a federal income tax return must be filed) and an educational expense deduction against a child's earned income. Additional income for the child not excluded under those provisions may be not counted under the hardship exclusion. The rules for applying the hardship exclusion also appear somewhat complex. They require calculating the annual expenses that are considered necessary for meeting basic necessities of the family household and other expenses that are necessary to support a reasonable quality of life.

³Appendix B provides a brief overview of the Food Stamp and Veterans Pension Benefits programs and includes a table outlining the major differences in the three means-tested programs. The specific rules on how those programs handle wage accounting, resources, and living arrangements and in-kind support and maintenance compared with the SSI program are also discussed in Chapters 2-4.

Methods for Determining Benefit Amounts

The categories of benefit rates for both the Food Stamp and Veterans Pension Benefits programs seem more clear-cut than the categories of living arrangements for determining maximum benefit rates in the SSI program. The veterans' program has different maximum pension rates for disabled veterans who are housebound, need the regular aid and attendance of another person, or need nursing or domiciliary care provided by the Department of Veterans Affairs. The rate is further adjusted according to the number of dependents. The size of the household determines the maximum monthly benefit in the Food Stamp program.

Like SSI, the other two programs deduct allowable exclusions from gross income but use a different period of time for calculating countable income. Food Stamp regulations allow states to address fluctuations in income (particularly earned income) and expenses for claiming income deductions by averaging the income and expenses over the months of the certification period. The Veterans Pension Benefits program averages all countable income available to the veteran and dependents for the 12-month period beginning the month after the month in which the income is received. Both income tests seem less complex than the monthly SSI test in terms of the effort required by both the employee and the beneficiary.

Reporting Policies

The specific reporting requirements in the Food Stamp program mirror those in the SSI program. The Food Stamp household is expected to report any change that could affect its eligibility or benefit amount within 10 days of the change. The rules exempt changes not exceeding \$25 from that requirement.⁴ In addition, the regulations do not require verification of income and deductible expenses at recertification unless the change exceeds \$25 or the source has changed.

The Food Stamp program's defined certification period requires more frequent contact with the beneficiary than does the SSI program. Current rules mandate that the certification period not exceed 12 months, or up to 24 months for households in which all adult household members are elderly or disabled. The certification period is usually 6 months or longer for households not expecting changes in countable income or household composition and 3 months or less for households with unstable circumstances. The general rule is to assign the household the longest period based on the predictability of eligibility factors. Despite the additional workload, some states use short certification periods, particularly for households with fluctuating earned income, to better control changes or maintain or improve payment accuracy rates.

⁴ Final rules published on November 21, 2000, allow households with earned income to report only income changes exceeding 130 percent of the monthly poverty income guideline. Households must be assigned a certification period of 6 months or longer to exercise that option (7 C.F.R. 273.12 (a)(1)(vii)).

The Veterans Pension Benefits program requires beneficiaries who have income other than Social Security benefits to file an annual report to verify their continuing eligibility. Recipients who do not promptly return a properly completed report may have their benefits suspended or terminated. Those exempt from filing the report still receive a letter every year informing them of the need to report any change in income or dependency status.

The regularity of the report and the need to file it for benefits provide at least annual control of changes that may affect eligibility or benefit amounts. In the interim period, the beneficiary is still expected to promptly report in writing any change that may affect his or her entitlement to benefits.

Efforts to Simplify the Programs

In recent years, the Departments of Agriculture and Veterans Affairs have made efforts to simplify program rules. Similar tensions exist in those programs between their objectives and the increased administrative efficiency expected from program simplification. A major focus of efforts in recent years for both programs has been to simplify the rules and revise reporting requirements to improve overall program administration without adversely affecting payment accuracy. Those efforts are discussed in Appendix C.

Chapter 2

Simplifying the Estimating and Verifying of Wages

Wages have been the leading source of overpayments for the past 9 years. Overpayments are burdensome for Supplemental Security Income beneficiaries since recovery can result in long-standing reductions in the amount of benefits paid. Changing the method of accounting for wages could reduce the effort expended by both beneficiaries and the agency. Any concomitant reduction in overpayments would also be a benefit. Those outcomes could have the important effect of making work more rewarding for SSI beneficiaries.

The SSI program limits the amount of income a person may receive while eligible for benefits. Beneficiaries whose wages exceed \$65 per month may have their SSI benefit reduced.¹ Usually, half of wages above \$65 per month reduce payable benefits.

Although the rules regarding countable wages are relatively straightforward, the process of estimating and verifying wages is administratively burdensome for Social Security Administration field office staff and employers. Initially, the beneficiary estimates the amount of wages paid each month for the next 14 months, and SSA pays benefits accordingly. At a later date, SSA verifies the exact amount paid each month and calculates overpayments or underpayments for each month as necessary.

Between the time the estimate is given and the time it is verified, the beneficiary must save all paystubs. That period can be as long as 2 years in some cases.² When SSA verifies the estimate, administrative staff must review up to 52 paystubs per year (or possibly more for workers with more than one employer) and calculate the exact amount paid each month. If the worker has not retained the paystubs, SSA asks the employer to review wage records and report the amount paid each month. Employers' compliance is voluntary; however, most employers provide the information. Unless the employer pays workers on a monthly basis, he or she must review all paydays during the review period or provide a payroll printout to fulfill the request, even though the employer already submits annual earnings reports to SSA.

Estimating average monthly wages and averaging verified wages over the period worked or a calendar year would reduce the burden on employers and beneficiaries and simplify program administration. Such a change would have little or no effect on annual benefits

¹ An ineligible spouse's income does not affect an individual's benefit until it exceeds \$257 (one-half of the federal benefit rate, or FBR). Deeming of a parent's income does not affect a child's benefit until income exceeds the FBR.

² If the wages are not verified by the end of 14 months, the estimated wage of the 14th month remains in effect until a new estimate is obtained. Usually, SSA will not verify income or other factors of the payment determination farther than 2 years and 2 months in the past. Between the time of the estimate and the time of verification, the beneficiary is required to report any changes in income. Also, SSA conducts matches with its Master Earnings File and the Office of Child Support Enforcement database to detect any unreported changes in income.

for the majority of beneficiaries. Generally, beneficiaries who would experience increases in annual benefits would be those with lower income. Beneficiaries who would experience decreases would generally be those with higher income. The program costs of such a change are negligible for beneficiaries in continuous payment status. SSA would save an estimated \$250 million in administrative costs over 5 years.³

This chapter provides background information on current rules and compares SSI policies with those of other means-tested programs. It examines the administrative complexity of current policy and the need for simplification. Finally, it analyzes two alternative methods of estimating and documenting wages.

How Are Wages Counted?

Generally, the program does not count the first \$65 per month of wages and half of wages beyond \$65 per month. Under certain circumstances, the program does not count some wages used to support ineligible children, to pay for impairment-related work expenses, earned by students under age 22, or set aside under a plan for achieving self-support (PASS).

The SSI program looks at a person's monthly income to determine monthly benefits. SSA counts income, including wages, when it is paid. Therefore, the monthly income of a person who is paid biweekly on Fridays may vary depending on how many paydays fall in each month.

The current policy of estimating and verifying wages is work-intensive for employers, employees, and field office staff. At the beginning of a claim for benefits or a posteligibility periodic review, beneficiaries must estimate how much they or a deemor (that is, a spouse, or a parent in the case of a child) will be paid each month for the following 14 months. If paydays are not monthly or semimonthly, the estimate for each month depends upon the number of paydays in the month. Employees who work more hours than estimated, receive an increase in wages, or change employers must report such a change by the 10th day of the month following the month in which it occurred. SSA pays benefits that are based on the most recent estimate.

Eventually, the beneficiary must provide paystubs or other proof that the estimate was accurate. The length of time between the estimate and the date SSA requests verification varies according to reported changes, data matches with other agencies, and the probability of payment error. If the beneficiary does not have complete paystub records to verify the wages paid each month, SSA requests it from the employer. SSA then determines exactly how much the employer paid the worker each month and calculates

³ Estimates are based on a simulation of the options conducted by the Office of Policy. See Appendix D for a description of the methodology used. The simulation was limited to beneficiaries who had been in continuous payment status since 1997. Therefore, the impact on payments (and possible program costs) for beneficiaries with periods of ineligibility cannot be determined for the simulation.

any underpayment or overpayment for each month in the review period. SSA averages wages over the months worked if there is no available proof of exact monthly wages.

By contrast, the process of estimating and verifying self-employment income is easier. Self-employed persons estimate how much they will earn for the year rather than having to estimate the exact amount they will earn each month. SSA divides that annual estimate by 12 and uses the monthly average to calculate benefits. After the end of the year, SSA confirms the annual amount using the person's tax return and then calculates any overpayment or underpayment for that year.

Current policies for estimating and verifying wages treat persons with the same basic wages differently, reducing benefit equity for those with less advantageous payment patterns. Self-employed persons receive exactly the same annual SSI benefits, given equal amounts of annual earned income. However, wage-workers with the same rate of pay and annual earned income may not receive the same annual SSI benefits. The difference occurs because both the pattern and amount of earnings determine total annual benefits. In the case of persons paid weekly or biweekly, some months have more pay periods than others. When income is concentrated in a few months, the amount of benefits payable over the year increases.

To illustrate this differential treatment, consider the case of two beneficiaries. They both make \$6 an hour, but Beneficiary A is paid weekly and Beneficiary B is paid biweekly. In months in which they are paid the same amount, the beneficiaries receive the same benefit. In months in which they are ineligible because of an extra pay period, neither receives a benefit. However, Beneficiary A is ineligible four times a year, while Beneficiary B is only ineligible twice. Since wages above the amount resulting in ineligibility (extra wages) are never used at a later point to determine an actual benefit amount, Beneficiary B has \$662 of extra wages concentrated in ineligible months compared with \$364 for Beneficiary A. Therefore, Beneficiary B receives higher total SSI benefits over the year (see Table 2-1).

Other federally funded need-based programs generally use a less detailed method of accounting for wages. Although they pay benefits on a monthly basis, income may be evaluated on a different basis. Certain Housing and Urban Development (HUD) programs and the Veterans Pension Benefits program base their monthly payments on annual rather than monthly income. The Food Stamp program uses average monthly wages to determine monthly benefits when paydays vary per month.

Evaluating the Extent of Program Complexity Related to Wages

SSA spends a significant amount of time reviewing paystubs or pursuing detailed information from employers. Under current policy, end-of-the-year statements, such as the W-2 form, or incomplete paystub records do not provide sufficient information for verifying the accuracy of monthly wage estimates. The length of time spent collecting

Table 2-1.
Effect of monthly assignment of wages on annual SSI benefits, calendar year 2000
(in dollars)

	Beneficiary A		Beneficiary B	
	Weekly Wages	Benefits	Biweekly wages	Benefits
January	960	74.50	960	74.50
February	960	74.50	960	74.50
March	1,200	0	960	74.50
April	960	74.50	960	74.50
May	960	74.50	960	74.50
June	1,200	0	1,440	0
July	960	74.50	960	74.50
August	960	74.50	960	74.50
September	1,200	0	960	74.50
October	960	74.50	960	74.50
November	960	74.50	960	74.50
December	1,200	0	1,440	0
Total	12,480	596.00	12,480	745.00

NOTE: Beneficiary A earned \$960 in November 1999 and \$1,200 in December 1999. Beneficiary B earned \$960 in both November and December 1999. Under current policy, benefits for a given month are usually based on income from the previous two months.

information and reviewing paystubs depends upon the organization and completeness of the paystubs and the number of months under review.

Wage development takes more time than any other eligibility issue (see Table 2-2). Claims generally cover shorter periods of review, and SSA consequently spends less time reviewing paystubs. However, posteligibility reviews can cover up to 2 years. Therefore, SSA expends much more time collecting and reviewing wage documentation.

For nearly a decade, wages have been the leading cause of overpayments. In FY 1999, about \$469 million in overpayments were attributable to wages, as were about \$174 million in underpayments (Social Security Administration 2000b). Data from 1999 indicate that the greater portion of wage deficiencies is the result of fluctuating income or failure to report increases in wages in a timely manner.

The method of assigning wages to a month influences the amount of incorrect payment attributable to known wages. The method will have very little effect on overpayments and underpayments caused by a failure to report income changes in a timely manner, which is a primary source of incorrect payments.

Table 2-2.
Development of eligibility issues, by workload

Workload	Wages/self-employment	Resources	ISM
<i>Percentage of Workloads Requiring Development</i>			
Posteligibility reviews of all eligibility issues	44	15	19
Claims based on age	16	44	29
Claims based on blindness or disability	19	14	23
<i>Minutes Spent per Case</i>			
Posteligibility reviews of all eligibility issues	38	27	23
Claims based on age	18	37	15
Claims based on blindness or disability	34	23	23

SOURCE: Based on a survey of field offices conducted by the Office of Policy in June 2000.

Policy Options

The following options address the administrative burden associated with estimating and verifying monthly wages. The options illustrate two ways in which SSA could use average wages, rather than the exact amount paid each month, to estimate and verify wages. Wage averaging would reduce work effort for employers and SSA and would minimize the beneficiary's need to retain numerous pay records.

Option 1. Assign wages to a month using the average wage over the number of months worked at a specific job during a year or over the calendar year, whichever is less. Estimate future wages on the same basis.

When estimating wages, SSA would use the expected annual amount divided by 12.⁴ When verifying wages, SSA would divide wages paid during the year either by the number of months worked during the year or by 12, whichever was less. SSA would then post the wages to the appropriate months.

Option 2. Assign wages to a month using the average wage over the calendar year. Estimate future wages on the same basis.

When estimating wages, SSA would use the expected annual amount divided by 12. When verifying wages, SSA would divide wages paid during the year by 12. Unlike

⁴ SSA could use one of several alternatives to change estimates midyear if the beneficiary reported changes in income.

under Option 1, employees who worked less than a full year would still have their wages divided by 12 and posted in all months. Thus, SSA could potentially reduce benefits or make individuals ineligible for months in which they received no wages. That does not always mean annual benefits would be lower than under Option 1 (as discussed later in the chapter).

Program Simplification

Both Options 1 and 2 would simplify administration by allowing beneficiaries and SSA to use end-of-year statements, rather than numerous paystubs, to verify wages. Estimating wages would be easier because it would require only one estimate (the annual amount) rather than an estimate for each month. Option 2 would further simplify administration because SSA would not need to confirm dates of employment or average wages over several periods when a worker switched jobs or did not work the entire calendar year. The options would also correspond more closely with the annual wage reports employers send to SSA. SSA's Office of Budget estimates that each option would save about 840 work-years annually.

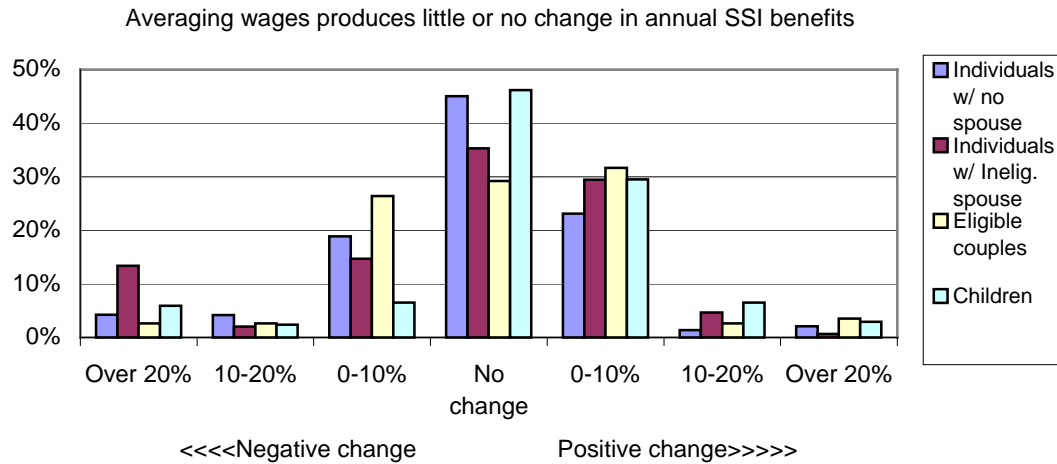
Benefit Equity and Adequacy

Most beneficiaries would receive the same or nearly the same annual benefits as under current policy, but reporting rules would be easier to comply with. About 80 percent to 90 percent of cases involving wages (depending on the type of case) would experience no change or a change of less than 10 percent in annual benefits under Option 1 (see Chart 2-1). The majority of cases involving wages (50 percent to 70 percent) would experience no more than a 1 percent increase or decrease in benefits.⁵ In a small fraction of the cases included in the positive or negative 0 to 10 percent range, rounding of the wages would result in an increase or decrease in benefits.

Beneficiaries with low wages would generally be better off under wage averaging because they would receive a higher amount. Persons whose earnings fluctuated around \$65 to \$85 per month would have more wages fall within the earned income exclusion under the two options. For example, a beneficiary whose only income is fluctuating wages of \$50 for 8 months of the year and \$100 for 4 months of the year cannot take full advantage of the earned income exclusion or the general income exclusion (\$65 and \$20 per month, respectively) in months of low earnings under current law. The excess exclusion does not carry over into months of higher earnings. Under wage averaging, monthly wages would be \$66.67, allowing exclusion of all wages. Under current wage-

⁵ See Appendix D for a description of the model simulating Option 1. Approximately 72 percent of individuals, 50 percent of individuals with an ineligible spouse, 55 percent of children, and 55 percent of couples would experience no change or less than a 1 percent change in annual benefits. Approximately 45 percent of individuals, 35 percent of individuals with an ineligible spouse, 46 percent of children, and 29 percent of couples would experience absolutely no change in annual benefits.

Chart 2-1.
Distribution of beneficiaries with wages or deemed wages experiencing a change in benefits under Option 1, by percentage change in benefits



posting rules, the beneficiary would receive \$5,778 in SSI payments over the year in 1997. Under Options 1 or 2, that amount would be \$5,808.

In a few cases, beneficiaries would become ineligible in all months of work. However, either proposal could contain a provision to ensure that those persons did not lose benefits or Medicaid because of the change. In cases in which the person would lose eligibility for all months of work but would have been eligible for some months under current policy, SSA could allow the beneficiary to rebut averaging of wages and instead choose month-by-month posting of wages. However, allowing beneficiaries to rebut the averaging would lessen the intended simplification. The fraction of beneficiaries who would lose months of eligibility under Option 1 in the absence of such a provision is detailed in Table 2-3.

Between 15 percent and 33 percent of beneficiaries would receive lower annual benefits. However, some of them would gain additional months of Medicaid eligibility (see Table 2-3). In 33 states, eligibility for an SSI payment in a month confers automatic Medicaid eligibility for that same month. Another seven states make the Medicaid eligibility determination using the SSI eligibility criteria. Therefore, increasing the number of months in which a person receives an SSI payment usually increases the number of months in which he or she is covered by Medicaid. However, in the case of working *disabled* beneficiaries, Medicaid coverage continues if the beneficiary is ineligible for an SSI payment as a result of his or her own earnings.

Among beneficiaries who would experience reduced benefits but no change in the number of months eligible for payments, the median benefit reduction would be nominal. If SSA averaged wages as under Option 1, most beneficiaries would either experience

Table 2-3.
Effects of Option 1 on benefits and eligibility

	Individual			
	No spouse	With ineligible spouse	Child	Couple
<i>Beneficiaries with Wages or Deemed Wages Losing All Federal and State SSI Benefits (percent)</i>				
Lose all benefits	2.82	4.67	1.18	0.88
<i>Reduced Benefits but May Gain Additional Months of Medicaid Eligibility (percent)</i>				
Percentage with reduced benefits	28	30	15	33
Percentage of those with reduced benefits who would gain additional months of Medicaid eligibility	13	36	48	19
Median percentage reduction in benefits	18	23	10	9
<i>Reduced Benefits but No Change in Months of Eligibility for Federal Benefit (percent)</i>				
Percentage with reduced benefits but no change in months of eligibility	32	32	9	26
Median percentage reduction in benefits ^a	1	2	1	1
<i>Median Annual Federal Payment (dollars)</i>				
Reduction				
More than 20%	160	808	1,624	612
10 to 20%	1,495	1,465	4,178	1,018
Less than 10%	3,633	3,077	5,329	3,133
No change	5,807	5,808	5,808	1,830
Increase				
Less than 10%	3,785	4,806	5,116	3,579
10 to 20%	1,257	3,877	4,708	1,161
More than 20%	1,313	1,699	3,861	496

a. Including all beneficiaries who would experience benefit reductions regardless of changes in the number of eligible months (including those with complete loss of benefits), the median reductions for individuals with no spouse, individuals with an ineligible spouse, children, and couples are 1 percent, 13 percent, 12 percent, and 2 percent, respectively.

increased benefits or decreased benefits with more months of Medicaid eligibility. The median reduction in benefits among those who would be eligible for payment in the same number of months would be 1 percent to 2 percent.

The options should enable the program to more efficiently target benefits toward persons with lower income, improving benefit adequacy for most beneficiaries. Persons experiencing benefit reductions under Option 1 have higher incomes (and consequently lower benefits) on average than persons experiencing no change or an increase in benefits.

Individuals who would experience more than a 20 percent reduction in benefits under Option 1 received annual SSI payments of \$160 in 1997 (see Table 2-3). Individuals who would experience no change received the highest median benefits under current law because their wages were often too low to affect benefit amounts and they qualified for higher levels of assistance. Individuals who would experience the greatest increase in benefits received higher median current-law benefits than persons experiencing the greatest decrease in benefits. For the latter group, it was the pattern of income payment, rather than high levels of income, that was usually suppressing benefit amounts.

Averaging wages over the months worked should enable the program to meet the current needs of most beneficiaries at least as well as current policy. Under the current policy of retrospective monthly accounting, most benefits are based on income the beneficiary or deemor received in the previous 2 months. Prior months are used to determine current benefits in order to allow beneficiaries more time to report changes that may affect eligibility or payment. When income rarely varies, as is the case with SSI beneficiaries who receive Social Security benefits (that is, a retirement, survivors, or disability insurance payment), the past month is usually a good indicator of current need. However, wage income varies substantially for most beneficiaries, and wages for the current month may be quite different from those of the budget month. In a 1997 sample of working individuals, the average month-to-month variation in countable wages was \$56. That means that the benefits for the current month were, on average, either \$56 higher or lower than SSA would have paid if they were based on the current month's wages.⁶

Under Option 1, the average difference between mean countable wages and actual wages received in the month was \$47—\$9 closer to current need. In contrast, averaging wages over all months in the year, as in Option 2, could hamper the program's ability to meet current needs. The average difference between the mean countable wages and actual wages received in the month under Option 2 was \$60, based on the 1997 sample.

The overall effects of Option 2 are similar to those of Option 1, though larger in scale. Generally under Option 2, a larger percentage of beneficiaries would experience a more substantial change in benefits to the extent they worked less than the entire calendar year, compared with Option 1. That is because wages could be assigned to months in which

⁶ This was a random sample of 44 working disabled and aged beneficiaries drawn from the 1997 sample file. See Appendix D.

the worker received no wages, as is currently the case for beneficiaries who are self-employed and average their income over 12 months. Low-wage workers would be able to use income exclusions both in months worked and in months not worked, increasing the total amount excluded even more than under Option 1.⁷ For example, if a beneficiary earned \$200 per month for 6 months and had no other income, the program would exclude \$3,255 of his or her wages over the calendar year and pay \$5,799 in annual benefits under Option 1. Under Option 2, the program would exclude \$3,510 of wages over the calendar year and pay \$6,054 in annual benefits.

Beneficiaries who drifted in and out of eligibility would have more wages count under Option 2 than under Option 1 if the worker was not employed during the entire calendar year. For example, if a beneficiary earned \$2,000 per month for 6 months, \$891 per month for each of those months would never be used in calculating a benefit under Option 1, since they are extra wages (meaning that they are wages above the threshold at which a person becomes ineligible for benefits). The beneficiary would be paid \$3,072 in annual benefits. Under Option 2, the beneficiary would have no extra wages, and the program would pay \$654 in annual benefits. These estimates do not reflect the effects of retrospective monthly accounting.

⁷ Administrative details would need to be worked out before implementing either option.

Chapter 3

Simplifying Resource Exclusions

The resource test, including the resource exclusion rules, can be difficult for individuals to understand. An additional resource or increase in value of an existing resource can put a beneficiary over the limit and sometimes by a small amount. The overpayment and suspended monthly cash benefit that often result can cause economic hardship for some beneficiaries. Simplifying the rules on exclusions would promote better service and improved understanding of the program. It could also permit beneficiaries to arrange their financial affairs more according to their own needs and desires.

Current resource rules are intended to ensure that monthly benefits go only to persons with the greatest need for assistance. Resource limits are based on the principle that the SSI program should pay benefits to individuals whose needs cannot be met by other sources, including their own accumulated assets. In addition to income, the SSI program considers a person's cash, property, and other assets when determining eligibility. An eligible individual cannot own countable resources worth more than \$2,000; for a couple, whether one or both members are eligible, the limit is \$3,000. However, not all assets count toward the resource limit. Resources that are not counted are known as excluded resources.

The policy on resource limits is simple: there are two limits, only one of which applies at any one time to an applicant or beneficiary. However, it is difficult for the beneficiary to determine which resources count toward the limit and which resource-related changes they must report to SSA. The program excludes certain resources depending upon such factors as the source of funds (for example, if it is from an assistance program), the form (real estate versus liquid assets), the purpose (intended for burial, vocational training, or other special needs), and the value. Field office staff must review each type of resource to determine whether those factors allow it to meet one of 17 basic categories of excludable resources. Understanding and remembering all the possible exclusions, each with its own unique criteria, are difficult for field office staff.

Although resource exclusions increase program complexity, they improve benefit adequacy for persons owning certain types of resources. The number of exclusions has increased over time to address the needs of beneficiaries and to coordinate assistance provided by the SSI program with that provided by other programs. Resource exclusions also can contribute to benefit inequity, since eligibility depends on the form, source, or purpose of a person's resources as well as the total value. For example, two individuals could have resources with the same total value, but depending on the particular types of resources each holds, one person could be eligible for benefits while the other person could be found ineligible.

Table 3-1.
Summary of resource exclusions

Resource	Extent of exclusion
Home	No limit
Household goods and personal effects	\$2,000
Automobile	No limit on one automobile with certain restrictions; otherwise, up to \$4,500 excluded for one car
Life insurance	One or more policies with combined face value up to \$1,500 per insured
Burial funds	\$1,500 each for individual and spouse, offset by excluded life insurance
Burial space	No limit for individual and immediate family
Property essential to self-support	No limit, if used in a trade or business; otherwise, up to \$6,000 if it produces a 6 percent annual rate of return
Disaster-related assistance	No limit
Social Security and SSI underpayments	No limit for 6 months ^a
State crime victim's compensation	No limit for 9 months
State or local relocation assistance	No limit for 9 months
Earned income tax credit	No limit for 1 month ^a
Property excluded under a plan to achieve self-support	No limit
Dedicated accounts	No limit ^b
Restricted allotted Indian lands	No limit
Certain housing assistance	No limit
Payments or benefits provided under a federal statute that requires exclusion	Varies per statute

a. The Social Security Administration sent a proposal to Congress in the Social Security Amendments of 2000 to increase the time limit to 9 months.

b. The Social Security Administration sent a proposal to Congress in the Social Security Amendments of 2000 to repeal the dedicated accounts provision.

Eliminating certain resource exclusions and increasing resource limits to compensate would simplify the program, but it could cause some current beneficiaries to become ineligible and would substantially increase program costs. Consolidating certain exclusions would produce the same effects but to a lesser degree. Liberalizing criteria for certain exclusions would provide the most modest level of simplification, would generally involve the least program cost, and would not affect the eligibility of current beneficiaries.

This chapter provides background information on current rules and compares SSI policies with those of other means-tested programs. It examines the complexity of current policies and the need for simplification. Finally, it analyzes four alternatives to current policy, considering the balance between program objectives and choices that must be made when assessing policy options.

What Are Resource Limits and Exclusions?

Resources consist of cash, other liquid assets, or property that an individual owns and could convert to cash. Individuals with countable resources at or below \$2,000 and couples with resources at or below \$3,000 may be eligible for benefits. Beneficiaries may actually own total resources exceeding the limit, because the program either partially or completely excludes the value of some assets. Table 3-1 briefly describes the program's basic resource exclusions.

How the SSI program applies resource limits and exclusions in determining eligibility is shown in Table 3-2. In the case of eligible adults, SSA documents all resources, subtracts the value of excluded resources, and compares countable resources with the applicable limit. In the case of children, the program considers countable resources exceeding the applicable limit for the parents to be available for the child's support and "deems" the extra resources to them. A child's own countable resources plus any deemed resources are then compared with the resource limit for an individual.

Table 3-2.
Computation of countable resources

Type of Beneficiary	Total resources	Applicable resource limit	Countable resources	Eligibility status
Individual	House: \$80,000 Car: \$6,000 Cash: \$3,000	\$2,000	Cash: \$3,000	Ineligible
Individual with spouse	Same as above	\$3,000	Cash: \$3,000	Eligible
Child with one parent	Same as above	\$2,000 (child) \$2,000 (parent)	Cash deemed to child: \$1,000	Eligible

Table 3-3.

Countable resources of individuals and couples receiving SSI payments, October 1998-July 1999 (as a percentage of the SSI population owning countable resources)

Resources (dollars)	Aged	Disabled	
		Adults	Children
<i>Individuals</i>			
None	17.8	29.0	50.0
100 or less	13.3	25.2	22.1
101-500	26.7	19.5	13.5
501-1,000	18.9	13.0	6.5
1,001-1,500	10.5	6.7	3.8
1,501-2,000	8.0	4.0	1.6
More than 2,000	4.6	2.5	2.4
<i>Couples</i>			
None	16.1	25.8	n.a.
100 or less	6.8	22.0	n.a.
101-500	19.9	19.8	n.a.
501-1,000	13.0	13.4	n.a.
1,001-1,500	21.1	7.1	n.a.
1,501-2,000	9.2	3.6	n.a.
2,001-2,500	5.2	3.5	n.a.
2,501-3,000	3.9	2.1	n.a.
More than 3,000	4.7	2.8	n.a.

SOURCE: Unpublished calculations by the Office of Research, Evaluation, and Statistics based on stewardship data.

NOTES: Individuals with countable resources exceeding the resource limit are not eligible for benefits. However, benefits may have been paid at the time data were collected because of a failure to report changes in resources pending an appeal of SSA's valuation of a resource.

n.a. = not applicable.

As a result of the modest resource limit and the numerous resource exclusions, most beneficiaries own few or no countable resources. As shown in Table 3-3, less than 25 percent of individuals and disabled couples own countable resources worth more than \$1,000. Approximately 44 percent of aged couples own resources worth more than \$1,000.

How Does SSI Compare with Other Means-Tested Programs?

Policies on resource limits and exclusions are not consistent among federally funded means-tested programs. The Food Stamp and Temporary Assistance for Needy Families

(TANF) programs have resource limits and exclusions roughly similar to those of SSI, but Housing and Urban Development (HUD) and the Department of Veterans Affairs do not have specific resource limits. HUD's public housing and Section 8 programs count the actual or imputed (passbook savings interest) rate of return on resources above \$5,000 toward the income limit. The Veterans Pension Benefits program has no specific resource limit for evaluating a claimant's eligibility. If the person's net worth meets or exceeds \$50,000 (not including a home, certain automobiles, or household goods), a special review determines eligibility. Table 3-4 compares the resource limits and two exclusions for SSI and three other means-tested programs.

Table 3-4.
Comparison of resource limits and exclusions across programs

Program	Resource limit	Automobile exclusion	Household goods/ belongings exclusion
SSI	\$2,000 (individual) \$3,000 (couple)	Applicable to one car; \$4,500 or entire value (if used for certain activities)	Up to \$2,000
Food Stamps	\$2,000 (non-aged) \$3,000 (person in household age 60+)	One car for certain activities or if classified as an inaccessible resource (i.e., likely to produce a return of no more than \$1,500) One car up to \$4,650 for each adult household member regardless of use or for member under age 18 if used for certain activities	All are excluded
HUD	No specific limit. Actual or imputed income from assets worth over \$5,000 determines eligibility.	Cars are not included in assets.	All are excluded
TANF	Varies by state. About 60% of states have limits between \$2,000 and \$3,000.	Varies by state. About 40% of states exclude entire value of a car. Limit in most other states is higher than SSI limit.	Varies by state

NOTE: SSI = Supplemental Security Income; HUD = Department of Housing and Urban Development; TANF = Temporary Assistance for Needy Families.

Evaluating the Extent of Program Complexity Related to Resource Exclusions

SSA is called upon to develop information on resources less often than on wages or in-kind support and maintenance, since many SSI beneficiaries own few or no assets. However, when a beneficiary owns resources, SSA must gather a significant amount of information to determine whether the resources may be excluded.

Some of the largest workloads are the least likely to require development of resource issues, in comparison with wage or ISM issues. For example, claims based on blindness or disability, which account for approximately 90 percent of all claims, require resource development in 14 percent of cases (see Table 2-2, page 15). In comparison, claims based on age are more than three times as likely to need resource development, but they make up only 10 percent of all claims.

It generally takes more minutes per case to request, receive, and process information on resources than on ISM. That is particularly true for claims based on age, which are more than three times as likely as other workloads to involve potentially excludable resources, such as life insurance, burial spaces, and other noncash property.¹

Resources have been one of the largest sources of overpayment dollars for several years. A recent report issued by SSA's Office of Quality Assurance and Performance Assessment (2000b) attributed \$493 million in overpayments in FY 1999 to errors in resources. Of that amount, SSA overpaid approximately \$270 million to beneficiaries whose bank balance exceeded the resource limit. Those overpayments were primarily attributable to the recipient's failure to disclose financial accounts.

Approximately 62 percent of resource overpayment dollars were due to liquid resources (such as cash, bank accounts, stock, and bonds) (see Table 3-5). Fifteen percent of resource overpayment dollars were attributable to nonliquid resources—such as life insurance, automobiles, and personal property—that were not excludable or whose value exceeded the excludable limit. Another 23 percent of resource overpayments were the result of more than one liquid or nonliquid resource or a combination of liquid and nonliquid resources. The options in this report focus mainly on nonliquid resources and therefore do not address the primary sources of overpayment dollars.

¹ According to the Office of Policy's June 2000 survey of field offices, claims based on age involved nonliquid resources in 14 percent of cases, compared with approximately 4 percent of claims based on disability/blindness or posteligibility reviews.

Table 3-5.
Resource overpayments, fiscal year 1999

Type of resource	Percentage of total SSI overpayments	Percentage of resource overpayments
Liquid		
Sole financial accounts	8	33
Joint financial accounts	6	22
Cash on hand	1	4
Other	1	4
Nonliquid		
Life insurance	1	5
Motor vehicle	1	4
Other real property	1	4
Personal property	0	0
Home ownership	0	0
Other	1	2
Combined resources ^a	6	23

a. Combined resources are more than one liquid or nonliquid resource or a combination of liquid and nonliquid resources.

Policy Options

Although simplifying resource exclusions would not significantly reduce the amount of overpayment dollars attributable to resources, it could help make the program easier for beneficiaries to understand and for SSA staff to administer. Workgroups over the years have examined resource exclusions from the perspectives of both equitable treatment of beneficiaries and program administration.²

Simplifying resource exclusions could help reduce the need to assign values to certain types of property that are difficult to assess, such as personal effects. It could also minimize the number of personal questions field office staff must ask in order to determine whether a resource meets an exclusion. For example, if the beneficiary owns a burial contract, field office employees must review it in detail to determine which portions of it meet any of three exclusions for burial assets (including the exclusion for life insurance). SSA must also inquire into the uses of a beneficiary's automobile and the nature and value of personal belongings.

Although SSA cannot exclude a resource unless it meets certain criteria, policymakers designed the criteria to ensure that the exclusions allow beneficiaries to retain resources that enhance self-sufficiency. In analyzing alternatives, SSA must consider potential

² See, for example, descriptions of the Eligibility Simplification Project (1978-80), SSI Simplification Initiative (1988-90), and SSI Legislation Workgroup (1997-98) in Appendix A.

effects on benefit adequacy and benefit equity. For example, the simplest approach to resource policy is to completely disregard assets when determining eligibility. That approach eliminates the need for complex exclusions. It also eliminates problems with benefit adequacy that result when eligibility is denied because resources are only slightly above the limit. However, it would decrease benefit equity, since persons with substantial resources could receive the same level of benefits as persons with few or no resources. Such a change would also probably target additional expenditures toward a population that is better off than the current SSI population (Moon 1980). Such a change would also be contrary to the principle that the SSI program should serve as a program of last resort.

Conversely, benefit equity and adequacy could potentially improve if the program linked both eligibility and payment amount to the beneficiary's level of resources (similar to resource policy for HUD's housing assistance programs). However, that would create a new variable for determining the benefit amount and increase program complexity.

This section describes four policy options and compares the extent to which they simplify the program, increase program costs, and affect benefit equity or adequacy. The first three options would make incremental changes to current exclusion rules. The fourth would redefine countable resources. They are presented here and in Table 3-6 in order of least to most simplification gained in the program.

Option 1. Standardize the time periods for exclusion of crime victim's assistance, relocation assistance, retroactive payments, and earned income tax credit (EITC) payments to 9 months after receipt.³

Currently, state crime victim's assistance and state and local relocation assistance payments are excluded for 9 months, retroactive Social Security and SSI payments are excluded for 6 months, and EITCs are excluded for 1 month. After the time period expires, any remaining value of the payment becomes a countable resource.

Option 2. Eliminate the counting of resources that rarely affect eligibility by (1) excluding the value of one car if used for transportation and (2) excluding the entire value of household goods and personal effects.⁴

The program currently excludes one car regardless of value if it is necessary for employment, treatment of a medical problem, or performance of essential daily activities (because of climate, terrain, distance, or similar factors) or is modified for a handicapped

³ SSA included a legislative proposal for this change in the Social Security Amendments of 2000 and in its report to Congress, *Supplemental Security Income: Income and Resource Exclusions and Disability Insurance Earnings-Related Provisions* (March 2000).

⁴ The Notices of Proposed Rulemaking to implement this option were in the clearance process when this report went to print.

Table 3-6.
Summary of resource options and major effects on the SSI program

	Option 1	Option 2	Option 3	Option 4
Number of persons affected				
Increase	<1,000	n.a.	n.a.	156,000
Decrease	0	0	n.a.	0
Newly eligible	0	n.a.	n.a.	156,000
Program costs, FYs 2002-2006	Negligible	Negligible	<\$50 million	\$1.9 billion
Administrative costs, FYs 2002-2006				
Savings from simplification	0	Negligible	0	\$45 million
Additional workload from claims and post-eligibility costs	0	0	\$2.2 million	\$231 million
Net cost	0	Negligible	\$2.2 million	\$187 million
Advantages	Simplifies the program by using a uniform time frame	Simplifies the program by eliminating two inquiries on the benefit application and related documentation	Simplifies the exclusions for burial resources Increases benefit equity by treating all types of burial financing equally	Simplifies the program by eliminating 10 basic exclusions and related documentation Increases flexibility to keep assets in the form best suited to the beneficiary's needs
Disadvantages	Some variation in treatment among all lump-sum payments would still exist This is only a marginal program simplification	Could increase benefit inequity, since persons both with and without substantial personal property would be eligible	Could make some persons ineligible for benefits unless they restructured their burial resources	Could impair coordination of benefits between SSI and other programs Would target benefits to less needy persons

NOTE: n.a. = not available.

person. The option would substitute a single criterion—transportation—for the specific criteria currently used for excluding the full value of a car.

Very rarely does a car fail to meet one of the four criteria now used. In more than 99 percent of all SSI cases in 1998, the beneficiary either did not own a car or was able to exclude the value of one car.⁵ Of SSI cases involving automobile ownership, roughly 98 percent were able to exclude the value of one car. The unexcludable value of one automobile resulted in ineligibility in less than 1 percent of all SSI cases and in approximately 1 percent of cases involving automobile ownership.

The program excludes household goods and personal effects up to \$2,000 in value for an individual (and spouse, if any). Exceptions to those items are a wedding ring, an engagement ring, and items needed because of a physical condition, such as a hospital bed or wheelchair. The option eliminates the dollar limit but also more precisely defines household goods and personal effects. For example, items held as an investment, such as gems, jewelry, and coin collections, would not be considered personal effects and would therefore not be excluded under this option. Applicants and beneficiaries very rarely own household goods or personal effects that exceed \$2,000 in value.

Option 3. Combine the separate exclusions for burial space, burial funds, and life insurance into a single exclusion up to \$7,300.

The resource value that may be excluded for burial under current law depends on the form of the resource. **Life insurance policies** are excluded if the total face value of all policies on a single person does not exceed \$1,500. If the total face value exceeds \$1,500, the cash-surrender value of the policy or policies involved counts as a resource. **Bank account funds designated for burial expenses, revocable burial contracts, and other funds** may be excluded up to \$1,500 each for an individual and spouse, plus accrued interest. The exclusion for burial funds is reduced by the face value of the excluded life insurance. Any amount being held for burial expenses in an irrevocable trust, burial contract, or other irrevocable agreement also offsets the burial fund exclusion. For **burial plots, caskets, headstones, or other space owned**, there is no limit on the excluded amount for an individual and members of the immediate family.

The exclusions and their interactions with one another are often difficult for beneficiaries to understand. In addition, the \$1,500 limit applicable to insurance and burial funds has never been adjusted for inflation. One way to simplify the exclusions and adjust for inflation is to combine the three exclusions into a single exclusion with a limit of \$7,300. That amount represents the average cost for commonly selected funeral items in 1997 and allotments for an individual grave space and the cost of opening and closing the grave space, all indexed according to the consumer price index (CPI-W) through the third

⁵ Based on additional statistical analysis of the agency's stewardship data for FY 1998.

Table 3-7.**Valuation of items included in resource limits under Option 4 (in dollars)**

	Individual	Eligible couple or married individual (1.5 times individual)
Current resource limit	2,000	3,000
Burial allotment	7,300	10,950
Nonbusiness property for self-support	6,000	9,000
Total	15,300	22,950 ^a

- a. The estimate for the couple exclusion was calculated on the basis of 1.5 times the exclusion amounts for an individual, although a couple's current burial allotment is twice the individual amount and the property for self-support exclusion does not change for a couple. The difference in the limits under this option represents the difference in the current resource limits and reflects the fact that most couples currently do not hold the mix of resources assumed here.

quarter of 1999. The estimate is a conservative one, since growth in funeral expenses has generally exceeded growth in the CPI.⁶

Option 4. Increase the resource limit up to \$15,300 for an individual and \$22,950 for a couple and eliminate all exclusions except those for a house, car, household goods and personal belongings, business property, plans for achieving self-support (PASS), and dedicated accounts.

This option would eliminate exclusions for burial funds, burial space, life insurance, nonbusiness property for self-support, Title II and Title XVI retroactive payments, disaster assistance, certain housing assistance, earned income tax credits, state crime victim's assistance, and state or local relocation assistance. It would not eliminate resource exclusions provided in federal statutes other than the Social Security Act. The proposed amount is high enough to include most or all of the value of some currently excluded resources (see Table 3-7).

The option is intended to both simplify program rules and give beneficiaries more discretion in arranging their limited resources according to their needs and desires. For example, under current rules, beneficiaries may set aside an additional \$1,500 in a bank account for burial costs, which is not counted toward the \$2,000/\$3,000 resource limit. However, a beneficiary may not set aside an additional \$1,500 to help repair a leaking roof.

⁶ According to the National Funeral Directors Association, the average cost of a funeral was approximately \$5,500 in 1997. The cost of individual grave spaces ranged from \$150 to \$1,900, and the cost of opening and closing the grave ranged from \$125 to \$750. The \$7,300 includes a plot costing \$1,000 and opening/closing costs of \$400.

Program Simplification

Option 4 provides the most dramatic change, by eliminating 10 exclusions and compensating for the change with higher resource limits. Option 1 proposes only a slight expansion of two exclusions. Option 2 also expands two exclusions but should require fewer questions asked of all beneficiaries. Option 3 proposes eliminating three exclusions and replacing them with one, representing a more fundamental change in resource exclusions.

While offering the greatest amount of simplification, Option 4 also involves tradeoffs. Generally, greater resource simplification involves larger changes in the number of eligible persons and program costs. Since relatively few of the potentially eligible or currently eligible persons own resources that would lose excluded status under this option, Option 4 effectively liberalizes eligibility criteria for most applicants without changing the eligibility status of most currently eligible persons. In contrast, Option 1 proposes modest expansion of exclusions that are used less often and affects fewer than 1,000 beneficiaries or applicants. The effect of Option 2 on increasing the eligible population depends on the number of people willing to convert countable resources into a vehicle or household goods and personal effects in order to gain eligibility.

Benefit Equity and Adequacy

Option 4 would also decrease benefit equity, since persons with relatively few resources and persons with more substantial resources would receive the same benefit, as long as their incomes were equal. That is also true of Option 2, since persons with very valuable personal belongings would receive the same benefit payment as those with few or no possessions. However, unlike Option 4, no current beneficiaries would lose eligibility under Option 2. In contrast, Option 3 would improve benefit equity, since the type of burial financing would not influence the extent of excludable resources. However, some current beneficiaries could lose eligibility unless they restructured their resources to conform to the new exclusion.

Option 4 would improve benefit adequacy for some persons living in poverty who own currently unexcludable resources over the current limits. Options 1 through 3 would improve benefit adequacy for a small group of persons who are currently ineligible because they own particular types of resources.

Payment Accuracy

Options 1 through 3 target nonliquid resources. As stated earlier, changes to nonliquid resources are not likely to produce significant changes in overpayments. SSA does not separately document the extent to which funds excluded under Option 1 contribute to benefit overpayments, nor does it separately document overpayments caused by the burial space and burial funds exclusions. Those items are collapsed into larger categories of

liquid and nonliquid resources as appropriate. Overpayments caused by automobiles, household goods and personal belongings, and life insurance are a relatively small portion of total overpayments. However, those options could contribute to some improvements in payment accuracy.

Insufficient data exist to determine the effect of Option 4 on overpayments. The higher resource limit could reduce disincentives to withhold information about resources. Fewer persons with income low enough to qualify for benefits would be likely to own resources at or above the proposed limit, further reducing the incidence of overpayment if beneficiaries intentionally or inadvertently failed to report ownership of resources.

Chapter 4

Simplifying Living Arrangements and In-Kind Support and Maintenance

Policies for living arrangements and in-kind support and maintenance (ISM) help direct program benefits toward persons with the least amount of income and support by reducing benefits for SSI beneficiaries who live in another person's household or receive food, clothing, or shelter in kind.

These policies are continually criticized as being overly complex, intrusive, subjective, and inequitable. Recent testimony by the General Accounting Office (2000) described SSI living arrangements and ISM as a major source of SSI overpayments. SSA's attempt to discover and assign a value to in-kind assistance provided to an SSI beneficiary has been described as "a disincentive to family members helping each other, and in direct conflict with other government programs, which encourage family involvement" (Social Security Administration 1992). The Social Security Advisory Board (1999) recently cited living arrangements and ISM as policies that were overly complex.

Determining whether an individual receives ISM requires that claimants and beneficiaries answer detailed questions about whom they live with, what their household expenses are, how they divide those expenses among household members, and what help they get from others outside their household. When a family member helps a beneficiary with food or shelter costs, ISM may be charged. However, an equal amount of food stamps or a Department of Housing and Urban Development housing subsidy does not affect SSI benefits.

Although ISM policies are complex, the problem they pose is often overstated. This report includes ISM as a potential area for simplification in order to show the actual extent of the problem. Recognizing the unfavorable perception of those policies, the report also presents several options for changing them.

Over the years, many options have been offered for changing ISM. Although an alternate policy might simplify the program, it would typically create another dilemma, such as increased program costs, or it might target higher benefits toward persons with less need. This report illustrates the tensions that each option creates.

This chapter provides background information on current rules, compares SSI policies with those of other means-tested programs, and explains how SSA counts ISM. It examines indicators of program complexity and analyzes six alternative policies for using living arrangements and noncash support to determine payment level. The analysis

considers the balance between program objectives and highlights the choices that must be made when considering policy options.

What Is In-Kind Support and Maintenance (ISM)?

As a means-tested program, Supplemental Security Income (SSI) pays benefits to eligible individuals only to the extent that their means to provide basic needs for food, clothing, and shelter are not met by other sources. ISM refers to the noncash income available to a beneficiary in the form of food, clothing, or shelter. Both in-kind support and maintenance and cash income reduce the amount of SSI benefit considered necessary to achieve a specific standard of living.

How Does SSI Compare with Other Means-Tested Programs?

Most federally funded means-tested programs do not count in-kind income when determining eligibility for benefits.¹ SSI also differs from programs such as Food Stamps or Veterans Pension Benefits by using different categories of living arrangements for determining benefit amounts. However, many programs, like Food Stamps and Temporary Assistance for Needy Families (TANF), pay benefits to a household and therefore consider all countable income available to the household in establishing eligibility and benefit amount. Since SSI pays benefits to an individual, it considers only income available to the individual except in cases where deeming applies, such as parent to child or ineligible spouse to eligible spouse. The SSI program uses rules about living arrangements as a proxy for determining household income, acknowledging that some individuals benefit from the presence of other members of their household and therefore rely less on SSI to meet all of their needs.

How Does SSA Count ISM?

The Social Security Act states that individuals living in another person's household and receiving support and maintenance in kind from the household shall have the federal benefit rate reduced by one-third rather than calculating the exact value of the support to determine benefits. In crafting the legislation, the House Ways and Means Committee (1971) and the Senate Committee on Finance (1972) indicated that the one-third reduction would apply regardless of whether the beneficiary made any payment toward room and board.

Although the provision was intended to provide administrative expediency by eliminating the need to determine the exact value of support received, it did not take into account the differences in individual circumstances of SSI beneficiaries. Since not all beneficiaries

¹ Food Stamps, Temporary Assistance for Needy Families, and means-tested programs in Canada and Australia, for example, exclude in-kind income from their definition of income.

have living arrangements fitting the situation described in the statute, SSA developed two basic methods for placing a value on ISM.

Value of the One-Third Reduction Rule (VTR). Beneficiaries who live in another person's household and receive both food and shelter from within the household are subject to the VTR. Rather than determine the actual dollar value of ISM, SSA counts one-third of the federal benefit rate (FBR) amount as income for those individuals. That rule applies in full or not at all. If an individual pays at least a pro rata share of household food and shelter expenses or is liable for all or any part of the rental charges, he or she is not considered to be living in another person's household.

Presumed Maximum Value Rule (PMV). This rule applies whenever an individual or couple receives food, clothing, or shelter and the VTR does not apply. It also applies in situations in which an individual lives in another person's household but does not receive both food and shelter from that person, or lives in his or her own household and someone outside the household provides in-kind support. SSA considers the maximum value of the support to be one-third of the FBR plus \$20 (the general income exclusion.) An amount less than the maximum may be used to calculate benefits if the beneficiary can show that the actual value of ISM is lower than the presumed maximum value amount.

How Do Living Arrangements Affect SSI Benefits?

SSA follows a prescribed sequence in developing an individual's living arrangement in order to ensure that the correct ISM rule is used and that possible sources of ISM are not overlooked or unnecessarily developed. The agency uses the following four categories of living arrangements to determine payment amounts:

- A Used primarily when a person is considered to live in his or her own household (that is, has home ownership, rental liability, pays pro rata share of household expenses). These persons may have ISM valued under the PMV.
- B Used when an individual lives in the household other than his or her own and receives food and shelter from within that household. These persons are subject to the one-third reduction.
- C Includes eligible children under age 18 who live with a parent in the parent's household (that is, deeming applies). The payment standard is the same as in category A.
- D Includes eligible persons who live in a public or private medical institution and Medicaid is paying more than 50 percent of the cost of their care. It also includes children living in an institution covered by private insurance. These persons are typically subject to a \$30 payment limit per month.

Table 4-1.
SSI beneficiaries receiving ISM in December 1999, by age group

Age	VTR	PMV	Total	Percentage of total SSI population
Under 18	26,000	31,000	57,000	1
18 to 64	140,000	111,000	251,000	4
65 or older	<u>103,000</u>	<u>89,000</u>	<u>192,000</u>	<u>3</u>
Total	269,000	231,000	500,000	8

SOURCE: Social Security Administration, Office of Research, Evaluation, and Statistics, *SSI Annual Statistical Report 1999* (June 2000).

NOTE: ISM = in-kind support and maintenance; VTR = value of the one-third reduction rule; PMV = presumed maximum value rule.

Who Receives ISM?

ISM affects the SSI benefit for only a small percentage of beneficiaries (see Table 4-1). However, SSA must gather information on living arrangements and household expenses for the majority of beneficiaries. Forty-seven percent of all SSI beneficiaries live in households with income below 100 percent of the poverty threshold, compared with only 22 percent of beneficiaries receiving ISM.² Those percentages suggest that beneficiaries who receive ISM rely less on SSI to meet their basic needs.

Evaluating the Extent of Program Complexity Related to Living Arrangements and ISM

Several recent reports have indicated that field office employees often cite ISM rules as among the most time-consuming and difficult-to-administer policies in the SSI program. The 1992 SSI modernization report (Social Security Administration 1992) stated that many SSA claims representatives allege that they spend between one-fourth and one-third of their time on this issue. A June 2000 survey of field offices conducted by SSA's Office of Policy suggests that ISM development is required in approximately 29 percent of aged claims, 23 percent of blind and disabled claims, and 19 percent of redeterminations. For cases that require development, employees spend between 15 and 23 minutes per case on ISM (see Table 2-2 on page 15). Gathering the necessary information can add 1 to 4 days to processing a claim.

Work-year estimates do not support the allegations of time spent on ISM. However, claims representatives' frustration with ISM may stem from the fact that the time spent

² Poverty figures are based on an unpublished 1998 analysis of benefit restructuring proposals by the Office of Policy's Office of Research, Evaluation, and Statistics, Division of Economic Research.

developing receipt of ISM may not improve the accuracy of a claim. While complex rules are intended to yield more objective and accurate payments, they may not do so in this case. Thus, time spent developing ISM and the resulting delays in processing time may hinder achievement of SSA's goal of providing world-class customer service.

Payment Errors Attributable to ISM and Living Arrangements

Recent reports on the SSI program do not cite living arrangement and ISM policies as the major source of SSI overpayments (Social Security Administration 2000b). In 1999, a projected \$210 million, or 11 percent of the overpayment dollars, was attributable to ISM and living arrangements. Most of those overpayments were the result of beneficiaries' not reporting changes in living arrangements and SSA staff's not complying with complicated instructions on verifying information.

Living arrangements and ISM also cause underpayments. Although ISM is the second leading source of underpayments, accounting for an estimated \$93.9 million in underpayments in 1999, it represents only 18 percent of total underpayment dollars. The beneficiaries' failure to report a change accounts for 75 percent of underpayment dollars. Living arrangement A is the third leading cause of underpayments, with a projected \$83.1 million in deficiency dollars. Those underpayments usually occur when the beneficiary or payee fails to report a change in circumstance that would have categorized the individual as being in his or her own household, which would usually result in a larger payment amount. That type of reporting problem accounted for 90 percent of deficiencies in category A.

To what extent do policies for living arrangements and ISM contribute to complexity? Although not insignificant, those policies are not as problematic as is often claimed. The primary reasons for both overpayments and underpayments suggest that beneficiaries may not understand how certain changes in living arrangements would affect their benefits. Also, 25 percent of the ISM deficiencies can be attributed to field offices incorrectly applying certain policies. And while work-year estimates are not as high as anecdotal evidence suggests, developing ISM for approximately 25 percent of claims yields chargeable ISM for only 8 percent of all beneficiaries.

Policy Options

Although SSA, Congress, and oversight agencies have spent years examining living arrangement and ISM policies, no clear alternative has emerged to replace current policies.³ No perfect policy exists that would be simple, equitable for all beneficiaries, and cost-neutral. A simplification strategy that results in higher benefits for individuals

³ In 1975-76, the SSI Study Group recommended eliminating the counting of in-kind support and maintenance. The 1992 modernization report (Social Security Administration 1992) made the same recommendation. See Appendix A.

receiving ISM is in effect directing assistance to perhaps a less needy portion of the SSI population. On the other hand, charging ISM may discourage family members from assisting low-income relatives on SSI since it nullifies all or part of their effort to assist.

This study presents six options for changing current policies. The analysis of each option considers the tensions that exist between program simplification and benefit adequacy, benefit equity, program integrity, and program costs. The first two options would exclude ISM when determining benefit amounts. Option 1 would eliminate the counting of ISM as income, and Option 2 would eliminate the counting of ISM for the elderly. The other four options would measure the noncash support available to SSI beneficiaries but would make other changes. Options 3 and 4 would maintain the rules for pro rata sharing but would change how they are applied. Option 5 would measure the value of a beneficiary's contribution instead of the value of what is received. Benefit amounts under Option 6 would reflect the economies of scale achieved when a beneficiary lives with another person. The effects of the options are summarized in Table 4-2.

Option 1. Eliminate the counting of ISM as income.

Under this option, only cash income (earned and unearned) would count in determining the amount of SSI benefit, and the one-third reduction provision would be repealed. SSA would not ask about in-kind support received from household members or from anyone outside the household. The agency would adopt a definition of income that is more compatible with that of other means-tested programs.

This option would achieve the most simplification but would cost more than \$6 billion over 5 years. Payments might be more accurate since changes in living arrangements would not affect benefit amounts. Beneficiaries would need to report fewer changes in household status, and SSA would verify only cash income.

If ISM was eliminated, individuals who received free room and board would receive the same level of benefits as someone who lived alone and relied exclusively on SSI to meet all needs, resulting in very disparate net income levels. Help from family members would no longer affect benefit amounts.

Option 2. Eliminate the counting of ISM only for the elderly.

Beneficiaries over age 65 are more likely to live alone (45 percent) than disabled adults (40 percent) and have a higher incidence of poverty (see Table 4-3). Since few beneficiaries over age 65 work, they do not have opportunities to improve their economic situation. Eliminating ISM for the elderly reinforces the societal goals of familial self-reliance and charity by allowing family members to assist elderly relatives without affecting their benefits.

Although SSA staff would no longer need to complete determinations for living arrangements and in-kind support for nearly 2 million beneficiaries, this change would not simplify the process for the other 4.6 million beneficiaries. It would raise program costs by more than \$2 billion over 5 years.

Exclusions would be made on the assumption that the elderly have greater need than the overall population. However, an elderly beneficiary living with an affluent child could receive the same benefit as an elderly (or nonelderly) person who lives alone and has no other source of support. Not counting in-kind income for the elderly might create pressure to exclude other groups.

Option 3. Simplify the definition of ISM.

This option would maintain the current rules for calculating living arrangements and ISM but would modify the regulations that define ISM as food, clothing, or shelter and that specify what is considered as shelter.

Eliminate Clothing from the Definition of Income and ISM.⁴ Clothing is not a factor in determining whether an individual lives in another person's household, nor is it used to compute the pro rata share of household expenses. Currently, SSA staff must make inquiries that may be viewed as intrusive, and determinations are often based on little or no documentation.

Modifying the regulations to exclude clothing as income or ISM would be one step toward making the SSI program's definition of income more compatible with that of other means-tested programs. Most programs exclude all in-kind income, and many further exclude the value of clothing and household goods as resources. This option would be a small step toward simplifying the SSI program, by counting as ISM those items that are likely to provide the greatest benefit, are received regularly, and are easier to verify. This change would have a minimal effect on program costs.

Define Shelter as Rent or Mortgage Expenses. Shelter items are used in two ways: (1) to determine whether an individual pays a pro rata share of household expenses and therefore does not receive ISM from other household members; and (2) to determine whether another person's gift or payment of an individual's bill results in ISM in the form of one of those items. Items such as heating fuel, gas, electricity, water, sewerage, garbage collection, property taxes, and insurance would no longer be counted as household expenses. Shelter would include items that provide physical shelter from the elements and exclude those items that have more to do with the quality of shelter than with its actual existence.

⁴ The Notice of Proposed Rulemaking to implement this change was in the clearance process when this report went to print.

Table 4-2.
Summary of ISM options and major effects on the SSI program

	Option 1	Option 2	Option 3
Number of persons affected ^a			
Increase	517,000	189,000	164,000
Decrease	0	0	0
Newly eligible	155,000	83,000	49,000
Program costs, FYs 2002-2006	\$6.4 billion	\$2.5 billion	\$2.3 billion ^b
Administrative costs, FYs 2002-2006			
Savings from simplification	762 work-years	268 work-years	97 work-years
Additional workload from claims and posteligibility costs	2,658 work-years	1,391 work-years	891 work-years
Net costs	1,896 work-years; \$147.2 million	1,123 work-years; \$87.3 million	794 work-years; \$61.7 million
Advantages	Simplifies the program by eliminating all rules and reporting requirements related to in-kind income Likely to improve payment accuracy	Simplifies the program by eliminating need to develop ISM for elderly cases Achieves only minor simplification since policies remain unchanged for the majority of beneficiaries	Excluding clothing eliminates need for inquiries that are rarely material Streamlines the development of household expenses
Disadvantages	Could increase inequity, since beneficiaries who are fully supported by another person could receive the same benefit as someone who relies entirely on SSI	Treating beneficiaries differently based on age raises equity issues	Does not change overall structure of ISM rules

NOTE: The cost estimates for Option 6 assume a 5 percent reduction in benefits unless otherwise indicated.

- Estimates of the number of beneficiaries whose benefits would be affected in FY 2002 assume an effective date of October 1, 2001, and a uniform phase-in during FY 2002. Estimates of newly eligible persons are those who would be added in the first full year of implementation (FY 2003).
- The estimate is based on limited data and is therefore very rough. The actual increase in payments could be as low as \$10 million or as high as \$1.1 billion per year.
- The estimate is for a 10 percent reduction in benefits. It is based on an earlier (1998) estimate for a proposal that had features not included in this option.

Table 4-2.
Continued

	Option 4	Option 5	Option 6
Number of persons affected ^a			
Increase	<50,000	402,000	1.1 million
Decrease	160,000	0	2.7 million
Newly eligible	<1,000 per year	121,000	232,000 (as many as 307,000 may become ineligible) ^c
Program costs, FYs 2002-2006	Saves \$0.1 billion	\$5.3 billion ^d	\$5.6 billion ^e ; \$400 million ^c
Administrative costs, FYs 2002-2006			
Savings from simplification	Adds 152 work-years	395 work-years	609 work-years
Additional workload from claims and posteligibility costs	22 work-years	2,174 work-years	4,850 work-years ^f
Net costs	174 work-years; \$11.9 million	1,779 work-years; \$138.2 million	4,241 work-years; \$329.9 million
Advantages	Eliminates several questions asked in developing living arrangements Improves equity by applying one rule to all cases	Less information to gather—need to know beneficiary's contribution to expenses but not total household expense	Greatly simplifies living arrangement determination by asking one question—live alone or with other adult
Disadvantages	Requires additional development and calculations in some cases No work-year savings	Gives people who are self-reliant the same amount as someone who has a great deal of support	Reduces benefits for most children Adversely affects more beneficiaries than any other option

d. The estimate is very rough. The actual impact could be significantly higher or lower. The estimate assumes that most persons currently charged ISM would increase their contribution to household expenses to maximize benefits and therefore would no longer be charged ISM.

e. The majority of individuals currently receiving ISM would receive increased benefits, as would all eligible couples. Treating couples the same as individuals might also encourage increased numbers of eligible couples to apply for benefits.

f. The estimate includes the cost of a one-time, limited issue redetermination of 675 work-years. For FY 2003, the estimated increase is 505 work-years.

Table 4-3.**Household income of SSI beneficiaries as a percentage of the poverty threshold, by age group**

Age group	Less than 50%	Less than 100%	Less than 125%
Under age 18	5.4	40.9	57.0
Age 18-64	3.3	40.1	51.6
Age 65 or older	2.1	58.0	69.1

SOURCE: Office of Research, Evaluation, and Statistics, Division of Economic Research, *Overview of ORES Benefit Restructuring Study* (November 1998).

The definition of household expenses would be simplified by retaining four items now used in the pro rata share determination (food, rent, mortgage, and taxes) and eliminating six (heating fuel, gas, electricity, water, sewerage, and garbage collection). In FY 1999, ISM received as shelter other than rent or mortgage caused approximately 7 percent of all overpayments attributable to living arrangements or ISM. These overpayments often result from improper counting of shelter items such as heating fuel, sewerage, garbage removal, or property taxes not included in mortgage. These changes might reduce overpayments if the definition of shelter included only rent and mortgage payments. However, they would not simplify the two rules used to count ISM and might increase program costs.

Option 4. Value all ISM at the lesser of its actual value or one-third of the applicable FBR (eliminate the VTR and the PMV).

This option would use one rule for all cases and eliminate the automatic one-third reduction. The amount of countable ISM would not be subject to the \$20 general income exclusion. The value of any ISM above one-third of the FBR would not be counted.

This change would eliminate the need to determine whether an individual is living in another person's household. An individual would no longer meet his or her pro rata share by earmarking a contribution specifically to either food or shelter. Although this option would streamline the process of determining whether an individual shares household expenses, it might require additional work in some cases since the actual value of ISM would be calculated for persons currently subject to the one-third reduction.

In FY 1999, the VTR accounted for 31 percent of overpayment errors attributable to living arrangements and ISM, indicating that the one-third reduction should apply. With one rule for determining receipt of all ISM, cases would not be incorrectly categorized. This change is estimated to save \$82 million over 5 years.

These changes in the definition of ISM would eliminate several inequities of the ISM rules now in effect. Currently, individuals who receive ISM valued at the maximum

PMV (one-third of the FBR plus \$20) who also have unearned income receive \$20 less in SSI than beneficiaries subject to the one-third reduction with identical amounts of unearned income. Eliminating determinations of separate consumption and earmarked sharing may also limit some of the subjectivity of current rules for living arrangements. All beneficiaries would have the opportunity to rebut the actual amount of their ISM. Some beneficiaries who currently live in the household of another and have their benefits reduced by one-third might receive increased benefits if the value of the support they received was less than the one-third reduction.

Option 5. Reduce payments by up to one-third of the FBR for beneficiaries who do not contribute a flat-rate amount toward household expenses.

This policy option would deem the pro rata share to equal one-third of the FBR rather than calculate the beneficiary's per capita share of household expenses. As long as a beneficiary contributed at least one-third of the FBR toward household expenses, he or she would not be receiving ISM. That change assumes it is reasonable to expect beneficiaries to contribute at least one-third of their income toward shelter and food.⁵ In its discussion of the one-third reduction rule, the 1972 Senate Committee on Finance report accompanying H.R. 1 stated that the value of room and board would be assumed to be equal to one-third of the applicable benefit standard.

SSA staff would not need to develop living arrangements in such detail. They would no longer need to know the number of people living in the household, total monthly household expenses, or about assistance received from other sources.

Beneficiaries would need to report fewer changes to SSA, making it easier for them to understand the requirements. With less information on household arrangements to gather and fewer changes to report, payment errors might decrease. However, program costs are estimated to increase by \$5 billion over 5 years.

This option would pay identical benefits to persons making identical payments toward household expenses. Currently, persons contributing the same amount may receive different benefit amounts depending on whether or not they meet their pro rata share. On the other hand, persons who spend their entire check on basic needs might receive the same benefit amount as someone who receives a great deal of other support. A beneficiary could receive help from within or outside the household without a reduction in benefits.

⁵ HUD Section 8 Rental Voucher Program pays the difference between 30 percent of household income and the determined fair market value of rent. The Food Stamp program allows a deduction from gross income for shelter expenses in excess of 50 percent of household income.

Option 6. Reduce the benefits of beneficiaries living with another adult by a specific amount (5 percent to 10 percent of the FBR).

Beneficiaries living with an adult would be paid a reduced benefit based on a percentage of the FBR. This option follows the rationale that people living together and sharing household expenses can live more efficiently than people living alone can (economies of scale). Approximately 78 percent of SSI beneficiaries living alone have income below the federal poverty level, compared with only 33 percent of beneficiaries who live with others. This change would attempt to target benefits toward those with greater needs.

This option would simplify determinations about living arrangements. SSA would have to determine only whether someone was living alone or with another adult; the agency would no longer determine household expenses, payment toward those expenses, or the value of help from outside the household. Fewer and simpler rules might increase beneficiaries' understanding of the requirements, improve the reporting of relevant changes, and might improve payment accuracy. However, SSA would be almost entirely dependent on allegations of whether a claimant lives alone, thus creating some potential for fraud.

Although this change would lead to increased benefits for SSI beneficiaries who are currently subject to the VTR or PMV, which reduces their SSI benefits by about one-third, it would result in reduced benefits for many others. The reason is that under current rules, beneficiaries are not charged with VTR or PMV if they can demonstrate that they pay a pro rata share of household expenses. Under the new rule, beneficiaries who live with an adult would have benefits reduced even if they paid a pro rata share of household expenses.

Nearly half of all beneficiaries and the majority of children receiving SSI would be subject to the reduction. For approximately 40 percent of children, however, no parental income is recorded, and even small reductions in cash income could affect the ability of households to meet their basic needs. Between 90,000 and 307,000 beneficiaries whose other countable income, such as Social Security, brings them close to the income limit would become ineligible under a reduction of 5 percent to 10 percent.

Eligible couples would be treated like individuals under this option. Instead of receiving benefits based on 150 percent of the FBR, they would be eligible for 180 percent of the FBR under the 10 percent option and 190 percent of the FBR under the 5 percent option. Approximately 450,000 individuals who are members of eligible couples would receive increased benefits.

Benefits would increase for about 1.1 million individuals and decrease for about 2.7 million. A 5 percent reduction would increase program costs by nearly \$6 billion over 5 years. A 10 percent reduction would increase program costs by \$400 million over 5 years but would save more than \$1 billion over 10 years.⁶

⁶ This estimate is based on an earlier (1998) actuarial estimate for a proposal that included features not included in this option.

A variation on this option would be to exclude children from the benefit reduction. The argument for not including children would be that deeming recognizes that parents have financial responsibility for their children and thus their benefits are already adjusted for the economic support the parent provides. Actuarial estimates for this option, however, apply the reduction to children.

Program Simplification

Of all the options, eliminating the counting of ISM would simplify the program the most, since it eliminates all requirements to report living arrangements, but it would be the most expensive option (\$6 billion over 5 years). Excluding only the elderly from ISM rules would not be as costly as completely eliminating ISM, nor would it provide as much simplification. Reducing benefits by 5 percent or 10 percent would also eliminate the complicated ISM rules and replace them with a simpler way to match benefits to living arrangements. The flat-rate option requires that less information be gathered and verified, but it would still require more development than Options 1 and 2. Options 5 and 6 would also significantly raise program costs. Option 3 makes minor changes to the complexity of the SSI program at a correspondingly lower cost.

Eliminating ISM would save approximately 150 work-years per year (\$12 million). However, the cost of processing new applications resulting from this change and the subsequent workload from liberalizing these policies would outweigh any savings. When new claims are considered, all options result in higher administrative costs. Costs for processing new claims should be considered separately from savings from streamlining the ISM development process.

Changes that minimize rules and reporting requirements make more people eligible for benefits and also increase benefits for many current beneficiaries, resulting in increased program costs. The options that would most simplify the program are also those that would most raise program costs.

Benefit Equity/Adequacy

Although ISM is frequently criticized as being inequitable, the policy assures that individuals with greater need receive higher benefits. Eliminating ISM would allow beneficiaries who receive support from others to receive the same benefit as someone with no support. Higher benefits would go to persons who were already well off relative to the overall SSI population. Under a 5 percent reduction, nearly half of all beneficiaries would receive lower benefits. Those decreases would result in higher poverty rates for certain subgroups, such as children.

Eliminating the VTR would subject all beneficiaries to one rule and eliminate current inequities between the two rules in the treatment of unearned income. Approximately 29,000 beneficiaries would receive an increase of up to \$20, while 160,000 would have

benefits reduced by up to \$20. Changes in benefit amounts would be limited to persons who currently have their benefits reduced because of ISM. Although this option is estimated to result in program savings, the change may add to administrative costs, thus having little effect on simplification.

Payment Accuracy

Although it would result in higher program costs, eliminating ISM would probably have a considerable effect on payment accuracy, since changes in living arrangements would no longer affect benefits. The options that simplify rules the most would also be likely to result in the greatest improvement in accuracy.

Finally, the options that make smaller changes, such as excluding elderly persons from ISM rules and narrowing the definition of shelter, would probably have a smaller effect on accuracy.

Chapter 5

Conclusion

All means-tested programs require some degree of complexity to meet their objectives. The SSI program is no different. Its complexity can be traced to meeting the objectives of benefit adequacy, benefit equity, and program integrity.

Reducing the program's complexity without compromising its objectives is not easy. It requires careful analysis of how each option will simplify the program and affect the objectives. The foregoing analyses of the different options for simplifying policies for wage accounting, resource exclusions, and living arrangements and in-kind support and maintenance indicate the tradeoffs that exist. Some options present opportunities that would significantly simplify the existing policy and would probably extend eligibility to additional individuals who also appear to be among the nation's most vulnerable population. Other options would have less impact on the current SSI population and on reducing program complexity.

The option to eliminate clothing from the definition of income and ISM represents the only ISM option that is without significant tradeoffs and, not surprisingly, does the least in terms of program simplification. The resource options to exclude one car (as long as it is used for transportation) and the entire value of household goods and personal effects also fall into that category.

These options are not exclusive, and implementing these changes does not necessarily eliminate consideration of other options. For example, changing the definition of income and ISM to exclude clothing represents a change that would add to the simplification resulting from the options that would still calculate the actual value of ISM for some beneficiaries. The resource option changing the policy on the automobile and household exclusions could also work with either of the other two resource options.

Determining which options best support program objectives points to additional tradeoffs. Most options appear to support the objective of program integrity, and with simplification there is an expectation of increased payment accuracy. The extent to which the options support the objectives of benefit adequacy and benefit equity, however, seems to vary. The analysis for eliminating the counting of ISM as income suggests that the current policy better supports benefit equity. Valuing all ISM at the lesser of its actual value or the one-third reduction would eliminate some current inequities but would provide less simplification. The resource options to increase limits and eliminate certain exclusions would move the program closer to meeting its objectives and, like some ISM options, would allow beneficiaries to decide how best to order their limited income and resources to meet their needs.

The two options for estimating and verifying wage income follow the method for counting self-employment income in the SSI program and the methods for counting wage income in other means-tested programs. Either option would reduce the current complexity in that policy area. The analyses of those options also suggest that both methods would support program objectives at least as well, if not better, than current policies.

The SSI program has a long history of simplification efforts, and many have resulted in legislative, regulatory, and procedural changes that have made the program less complex. The remaining challenge for the current effort is to further assess the tradeoffs and determine which objectives should be maximized and which can be traded for greater program simplification.

Appendix A

Summary of Major Initiatives to Review and Simplify the SSI Program

The complexity of the Supplemental Security Income (SSI) program has prompted frequent reviews and simplification efforts throughout the program's roughly 25-year history. The major efforts are summarized below. Along with many smaller-scale efforts not described here, these initiatives have looked at all aspects of the program, examining almost every policy and procedure at least once and some repeatedly.

The earlier efforts have done much to help reduce complexity and streamline claims processing. They led to legislative and regulatory changes that simplified a number of policies, prompted numerous systems enhancements, and resulted in hundreds of procedural changes. Although some policies and procedures remain complex, the program in general is easier to understand and administer than it had been previously.

The summary of each initiative shows the major proposals that emerged from it and indicates those that were implemented. Many proposals were not implemented, of course, especially those that would have required legislation. In most cases, the source of the decision to stop pursuing those proposals and the reason for that decision are unknown, but it is likely that cost often decided the outcome.

SSI Study Group (1975-76)

The first major review of the SSI program began in April 1975, when then Secretary of Health, Education, and Welfare (HEW) Caspar Weinberger created the SSI Study Group, a panel of five specialists in public administration and computer technology. The panel's charge was to evaluate HEW's administration of the SSI program and to critically examine program concepts. With staff support from the Social Security Administration (SSA), the panel studied SSI's processes, policies, and procedures pertaining to federal and state roles, eligibility criteria, service delivery, administration, program quality, and computer systems.

The panel held public meetings twice a month from June through December 1975. Advocates, federal and state welfare experts, and members of the public provided written and oral testimony. The panel also interviewed staff in SSA field and regional offices throughout the country and reviewed management information data, such as rates of payment accuracy.

In its January 1976 report, the SSI Study Group provided 30 major and many additional recommendations that involved nearly every aspect of the SSI program and SSA's administration of it. Many were adopted. Among the recommendations for simplifying the program were those to:

- Eliminate the one-third reduction for in-kind support and maintenance (ISM); count only cash contributions as income.
- Count only liquid resources; exclude the home, an automobile, and household goods and personal effects.¹
- Eliminate mandatory state supplementation.
- Permit only one level of state supplementation.
- Stop parent-to-child deeming at age 18.²
- Allow a determination of presumptive disability for the blind.³

Study by Senate Committee on Finance Staff (1975-77)

In January 1975, the Senate Finance Committee directed its staff to evaluate how well the SSI program reflected, in practice, the intent of its underlying legislation. The staff gathered data on factors such as program growth, comparisons with state welfare programs, processing times, and workloads. They conferred with SSA and HEW officials, surveyed state governors, and interviewed state and local welfare officials. They surveyed and visited SSA field offices and obtained input from individuals and organizations outside SSA with an interest in the SSI program. Among the 1977 report's recommendations for simplifying the SSI program were to:

- Treat as income, when an individual lives in someone else's household, room or board for which the individual does not pay; presume that the amount of such income equals one-third of the federal benefit rate (FBR) unless the individual can show that it is less.⁴
- Consider SSI and Social Security benefits as a totality (a recommendation implemented by windfall offset legislation).
- Reduce payments to institutionalized individuals to \$25 whenever Medicaid pays any of the cost of care as opposed to 50 percent of the cost of care.

¹ At the time, any portion of the current market value of a home in excess of \$25,000 (\$35,000 in Alaska and Hawaii) counted as a resource. In October 1976, P.L. 94-569 provided for the exclusion of the home, regardless of value.

² In June 1980, P.L. 96-265, Social Security Disability Amendments of 1980, provided that parent-to-child deeming stop when a child attains age 18.

³ In October 1976, P.L. 94-569, Distilled Spirit Taxes and Social Security Act Amendments, amended the Social Security Act to include presumptive disability for the blind.

⁴ Then, as now, the law did not provide for treating as income room and board (in-kind support and maintenance) received while living in someone else's household. Instead, it required an alternate federal benefit rate (two-thirds the normal rate). This issue is discussed in Chapter 4 of this report.

Eligibility Simplification Project (1978-80)

In 1978, President Carter directed the Secretary of Health, Education, and Welfare and the Director of the Office of Management and Budget to lead an interagency effort to streamline and standardize the eligibility requirements of means-tested federal benefit programs. Although there were nearly 60 such programs, the project focused on the seven largest: Aid to Families with Dependent Children, SSI, Medicaid, Title XX (social services), Food Stamps, Section 8 Housing, and CETA (employment training).

An interagency study team evaluated options for standardizing or eliminating eligibility requirements, taking into account the programs' purpose, cost, and the potential for "reducing waste, lowering error rates, and improving understanding." The study team's 1980 report included many recommendations for standardizing the eligibility requirements of all seven programs, including the following proposals that would have helped simplify SSI policy:

- Exclude nonbusiness income-producing property that provides at least a 6 percent rate of return annually on its fair market value. (Then, as now, the SSI program excluded only up to \$6,000 of the equity value of such property and required a 6 percent rate of return on the excluded equity value. The other six programs excluded the full value of such property if it produced a "reasonable" rate of return on its fair market value.)
- Exclude household goods and personal effects from resources. (Only AFDC and SSI included the value of household goods and personal effects in determining net worth. The study team noted that the provision was difficult to administer fairly and that few applicants were denied benefits because of it.)
- Exclude the receipt of food and clothing from income; count only shelter and utilities as in-kind income, subject to limits prescribed by the Secretary of HEW. (Only AFDC and SSI—and, by extension, Medicaid—counted the value of in-kind receipts as income. The study team's recommendation mirrored the Carter Administration's welfare reform proposal for the treatment of in-kind receipts in the AFDC program.)
- Exclude from countable resources (1) burial plots and (2) \$2,500 per person up to a combined maximum of \$5,000 per family in burial funds and the cash-surrender value of life insurance. (Policies of the seven programs varied widely on life insurance and burial plots and funds. At the time, the SSI program excluded only life insurance.)

Adjudicative Procedures Workgroups (1983-85)

In the early 1980s, SSA field offices frequently expressed concern that SSI adjudicative procedures were creating unnecessary processing delays and placing an unreasonable burden on adjudicators and the public. In 1983, SSA convened the first of three workgroups to look into those concerns.

- The Documentation Requirements Workgroup (1983-84) responded to indications that many of the requirements for documenting the basis of an SSI determination were duplicative or otherwise unproductive.
- The Development and Verification Requirements Workgroup (1983-84) responded to indications that requirements for obtaining third-party verification of information provided by a claimant or beneficiary were sometimes intrusive or unnecessary.
- The Adjudicative Responsibilities Workgroup (1984-85) responded to indications that operating instructions excessively limited the ability of field office staff to exercise adjudicative judgment regarding the adequacy of information in the file.

Each of the three workgroups included staff from relevant headquarters components, regional offices, and field offices. Each started with a list of requirements that field offices had indicated were unwarranted. They reviewed those requirements in the context of a long-standing axiom of program integrity—that any determination regarding eligibility for or the amount of benefits must be supported by documentation in the file that allows an independent reviewer to make the same determination. Their goal was to identify requirements that could be modified or eliminated without departing from that principle. Their work resulted in the elimination or modification of over 130 adjudicative procedures that were found to be unnecessary or unproductive.

Office of Assessment Overpayment Study (1987)

This study analyzed data on overpayments, the policies associated with the principal areas of overpayment, and adjudicative processes. It determined that the top five causes of overpayments at the time were:

<u>Issue</u>	<u>Amounts Overpaid</u>	<u>Number of Overpayments</u>
1. Bank accounts	\$125 million	60,000
2. Wages	\$85 million	280,000
3. Institutionalization	\$50 million	100,000
4. Title II income	\$30 million	180,000
5. Living arrangements/ISM	\$20 million	60,000

The study made a series of proposals, including some that would simplify the program, to “prevent or reduce over \$100 million” of SSI overpayments. Proposals that would have helped simplify the SSI program were those to:

- Develop a tolerance for fluctuating low wages.
- Replace ISM rules with a flat-rate reduction for shared households.
- Automate SSI penalty provisions.

SSI Workgroup (1988)

From 1984 through 1987, SSA took a number of actions designed to reduce processing time for SSI redeterminations and improve the accuracy of SSI payments. Those actions did not produce the anticipated results, so the Deputy Commissioner for Operations established an SSI workgroup to determine why redetermination processing times were continuing to rise and SSI payment accuracy had not improved.

The workgroup consisted of staff from field and regional offices and representatives of various headquarters components. Its recommendations included some ideas for simplifying policies and processes, such as simplifying forms, enhancing systems capabilities, creating tolerances for taking action on certain kinds of alerts, and developing data exchanges with other agencies. It also recommended a number of legislative changes, such as replacing current ISM rules with a benefit reduction of 25 percent for beneficiaries living with another adult.

SSI Simplification Initiative (1988-90)

In 1988, SSA held a series of forums at its headquarters and around the country for SSA staff. The Forum Action Strategy Team (FAST) developed recommendations based on input from those forums. One recommendation was to create an initiative under which SSA field offices would submit ideas for simplifying the SSI program and then receive feedback on the disposition of their ideas. SSA undertook the SSI Simplification Initiative in response to that recommendation.

In October 1988, the Deputy Commissioner for Policy and External Affairs and the Deputy Commissioner for Policy issued a joint memorandum asking for suggestions from field offices. Hundreds were submitted. Regional offices screened them and endorsed 210 for further consideration. A workgroup of SSA staff from headquarters and field and regional offices coordinated the analysis of those recommendations, which included estimating program and administrative costs.

Following that analysis, the workgroup decided whether to recommend adopting specific proposals. In making its decision, the workgroup used three criteria: (1) changes should be consistent with the view of SSI as program of last resort and based on current need, (2) changes should not significantly disadvantage claimants or beneficiaries, and (3) changes should be budget neutral or entail only modest cost.

SSA implemented or further pursued 90 suggestions. They included proposals for changes to forms, systems (including the development of programs for personal computers), operating instructions, regulations, and the Social Security Act. Among the policy proposals to simplify the SSI program were those to:

- Exclude up to \$80 of interest and dividend income annually, regardless of how often the interest or dividends are paid. (SSA included this proposal as a technical amendment to its package of legislative proposals.)
- Compute rental income by averaging it over 12 months (also included as a technical amendment to that package).
- For the first two months after an SSI cost-of-living increase, compute ISM based on the current FBR instead of the FBR for the second preceding month, as otherwise would occur under retrospective monthly accounting (RMA). (P.L. 103-66, the Omnibus Budget Reconciliation Act of 1993, made this change.)
- Exclude one automobile, regardless of value, for each individual or couple. This proposal required further analysis and was not implemented.
- Exclude interest on contracts representing the purchase of burial spaces. (P.L. 101-239, the Omnibus Budget Reconciliation Act of 1989, provided for this exclusion.)

Among the proposals on which SSA did not take further action were those to:

- Prorate yearly wages over the number of months worked in the year, using form W-2 to verify the yearly amount. (The rationale for rejecting this proposal was that it:
 - would be contrary to the concept of a benefit program based on actual current need;
 - would be contrary to the statutory requirement, under RMA, to determine eligibility and payment amount for a month using income in that month;
 - could, in some months, permit payment to individuals not eligible for payment under then-current rules;
 - could, in some months, prevent payment to individuals eligible for payment under then-current rules.)
- Modify or eliminate rules for counting rental subsidies as income.
- Exclude infrequent or irregular unearned income that does not exceed \$60 a quarter and infrequent or irregular earned income that does not exceed \$30 a quarter. (The rationale for rejecting this proposal was that it might not simplify administration since SSI benefits are determined on a monthly basis.)
- Exclude the full amount of scholarships or grants from income. (The rationale for rejecting this proposal was that not counting money provided for room and board, or money that exceeds other expenses and is available for room and board, might be contrary to the basic purpose of the SSI program.)
- Treat funds held in trust for an individual as a countable resource of that individual. (The rationale for rejecting this proposal was that it would disadvantage beneficiaries then benefiting from the policy of not counting trust funds as resources, particularly disabled children and their families.)

- Eliminate the concept of “holding out” as a married couple and treat unmarried persons as individuals. (The rationale for rejecting this proposal was that it might be seen as “antifamily” and that some individuals currently treated as a spouse would be disadvantaged because they would be considered to be living in the household of another, receiving ISM, and subject to a one-third reduction in the FBR.)

SSI Modernization Project (1990-92)

The SSI Modernization Project, which SSA initiated in 1990, grew out of discussions within SSA on the complexity of ISM policy. By the time the project was chartered, however, it had come to be viewed as a top-to-bottom examination of the entire SSI program. A group of 20 experts, with staff support from SSA, looked at virtually every aspect of the program as they debated if and how the program was meeting its intended purpose.

The experts held meetings in eight cities around the country, announcing them beforehand in the *Federal Register* and inviting the public to comment in person or in writing. Oral and written comments were received. The experts also met with SSA employees in all 10 regional offices, Disability Determination Service employees in five states, and staff in a hearing office. In July 1991, based on input received up to that point, the experts published an issues and options paper for comment in the *Federal Register*. The paper elicited roughly 14,600 comments.

Most of the recommendations in the experts’ final report sought to enhance benefit adequacy. They included two recommendations for legislation that also would help simplify the program:

- Eliminate ISM from consideration in eligibility and payment determinations.
- Increase the resource limits to \$7,000 for an individual and \$10,500 for a couple and streamline the resource exclusions.

Because of their cost, neither of those recommendations was implemented.

SSI Legislation Workgroup (1997-98)

This SSA intercomponent workgroup looked into key sources of error and sought to identify cost-effective ways to correct them. Its objective was to establish a long-term plan to limit incorrect payments.

The workgroup analyzed data on errors, the policies associated with the principal causes of error, and adjudicative processes. Many of the proposals the workgroup considered have been discussed in this report. They include:

- Improve payment quality by targeting four policy areas (earned income, unearned income, ISM, and resources) that accounted for 90 percent of payment errors.
- Simplify the program through legislation, specifically:
 - Increase resource limits to \$5,000 (individual) and \$7,500 (couple).
 - Exclude one auto without restriction.
 - Standardize time-limited resource exclusions at 9 months.
 - Eliminate the exclusions for burial funds and life insurance.
 - Retain but modify the exclusion for burial spaces.

Appendix B

Overview of the Food Stamp and Veterans Pension Benefits Programs

Food Stamp Program

The Department of Agriculture's Food and Nutrition Service (FNS) administers the Food Stamp program at the federal level. FNS provides direction to welfare agencies by promulgating regulations defining the eligibility requirements, benefit levels, and administrative rules of the program.

Local welfare offices determine a claimant's eligibility and benefit amounts and are responsible for distributing benefits. Federal rules allow states some flexibility in determining procedures for developing and verifying eligibility and the length of the period for certifying the household's eligibility. The program is usually administered by the same state agency that administers the Temporary Assistance for Needy Families (TANF) and Medicaid programs. In FY 1999, almost \$16 billion in Food Stamp benefits were paid to 7.7 million households comprising 18.2 million individuals.¹

The household is the basic beneficiary unit, and the monthly cash income of the household is the primary factor in determining eligibility. Food Stamp households must meet a gross income test and a net income test. Net income refers to gross income minus allowable deductions.

The certification period is the number of months the household is certified to receive food stamps, and benefits do not continue beyond the certification period unless there is a new determination of eligibility. Current rules mandate that the certification period not exceed 12 months. The only exception is a certification period of up to 24 months for households in which all adult members are elderly or disabled. The general rule is to assign the household the longest period possible based on the predictability of factors affecting the household's eligibility. The certification period is usually 6 months or longer for households not expecting changes that would affect eligibility and 3 months or less for households with unstable circumstances.

Households in which all recipients are receiving general assistance, SSI, or TANF benefits are deemed eligible for food stamps. The rules for calculating the amount of food stamps for the household, however, still apply for public assistance households. States generally have joint applications and interview for claimants applying for food stamps and general assistance or TANF. SSA also takes food stamp applications from SSI beneficiaries, especially for households in which all members are receiving SSI benefits.

¹ These data and other information about the Food Stamp program are available at www.fns.usda.gov/fsp/menu/faqs/faqs.htm.

**Table B-1. Income, resource and reporting requirements in the
SSI, Food Stamp, and Veterans Pension Benefits programs**

	SSI	Food Stamps	Veteran Pension
Maximum monthly benefit (in effect for December 2000)	\$512 (for an individual)	\$130 (for one-person household)	\$749 (based on maximum annual rate of \$8,989 for veteran without dependent)
Benefit computation method	Income calculated monthly for determining monthly benefit amount. Retrospective monthly accounting used. Countable income used is for the month two months before the month of benefit computation.	Household has option of averaging countable income over months in the certification period or counting income in month received. Income for past 30 days usually used in determining income for certification period. States have option of using retrospective budgeting (with restrictions) for calculating monthly benefits.	Countable income averaged over a 12-month period that begins the month after the month the income is received.
Income exclusions/ deductions	<ul style="list-style-type: none"> • \$20 general income exclusion • \$65 earned income exclusion plus half the remainder • Infrequent and irregular income exclusion • Education grants, scholarships and fellowships exclusion • Impairment-related work expenses exclusion • Plan for achieving self-support (PASS) • Specific exclusions required by statute and regulation 	<ul style="list-style-type: none"> • \$134 standard income exclusion for all households • 20% of gross earned income exclusion • Unanticipated, infrequent, and irregular exclusion • Education grants, scholarships, and fellowships exclusion • Nonreimbursable medical expenses deduction for monthly expenses exceeding \$35 for elderly and disabled household members • Deduction for excess shelter costs that exceed half of household income after other deductions • Exclusions for in-kind support and vendor payment made directly on behalf of household by person outside household or organization • Specific exclusions required by statute and regulation 	<ul style="list-style-type: none"> • Medical expense deduction for nonreimbursable expenses that exceed 5% of the recipient's maximum annual pension rate • Final expenses deduction for last illness or burial for veteran, veteran's spouse and child • Educational expenses deduction for veteran and veteran's spouse • Education expenses deduction for the veterans' child from child's earned income • Hardship exclusion for child's earned income • Medical and legal expenses deductions for expenses associated with disability and death claims • In-kind support and regular cash payments for food and housing • Specific exclusions required by statute and regulation

	SSI	Food Stamps	Veteran Pension
Resource Limits/Exclusions	<p>\$2,000 limit for countable resources for an individual and \$3,000 for a couple</p> <p>Major exclusions:</p> <ul style="list-style-type: none"> • Home • Automobile with restrictions or first \$4,500 in current market value of automobile if no restrictions apply • Household goods up to \$2,000 in equity value • Cash value of life insurance policies if total face values do not exceed \$1,500 • \$1,500 for burial funds • Property essential to self-support (PESS) 	<p>\$2,000 in countable liquid assets for a household without an elderly member (age 60 or older) and \$3,000 for a household with an elderly member</p> <p>Major exclusions:</p> <ul style="list-style-type: none"> • Home • Automobile with restrictions or first \$4,650 in current market value if no restrictions apply • Household goods • Cash value of life insurance policies • \$1,500 in equity value of burial agreement; one agreement allowed per household member • Resources of household members who receive SSI or TANF benefits 	<p>No dollar limit set. Net worth is calculated to determine whether individual's basic needs could be met with resources and no pension.</p> <p>Major exclusions:</p> <ul style="list-style-type: none"> • Home • Automobiles used for family transportation • Household goods
Reporting Requirements	<p>Beneficiary is expected to report any changes that would affect eligibility or benefit amount within 10 days following the month in which the change occurred. Eligibility is based on nonmedical factors reviewed during redetermination. Frequency of redetermination is based on likelihood of changes that would affect eligibility and benefit amount.</p>	<p>Beneficiary is expected to report changes that would affect eligibility or benefit amount within 10 days of being notified of the change. This requirement applies to income changes exceeding \$25.^a Continuing eligibility is reviewed at recertification. Eleven states require some households to submit monthly reports describing changes. States have also received waivers to use alternative reporting requirements for households with earned income.</p>	<p>Beneficiary is expected to promptly report in writing any change that would affect eligibility or benefit amount. Beneficiaries with income other than Social Security income are expected to file an annual eligibility statement.</p>

NOTE: Comparisons are based on available information as of November 2000.

^a Final rules published on November 21, 2000, allow households with earned income to report only income changes exceeding 130 percent of the monthly poverty guideline. Households must be assigned a certification period of 6 months or longer to exercise this option (7 C.F.R. 273.12(a)(1)(vii)).

Veterans Pension Benefits Program

The Veterans Benefits Administration (VBA) within the Department of Veterans Affairs is responsible for several benefit programs, including the disability compensation benefits and pension benefits programs. Most claims for both types of benefits are submitted by mail to one of the 58 regional offices, which are responsible for developing and adjudicating the claim.

The disability compensation program pays monthly benefits to veterans with service-connected disabilities, and the amount of payment varies according to the degree of disability.

The pension program is a means-tested program and pays monthly benefits to wartime veterans who have low incomes and disabling conditions not connected to their service. The pension program also provides monthly payments to needy surviving spouses and dependent children of wartime veterans.

There are three types of disability pension benefits: the Section 306 Pension, the Old Law Pension, and the Improved Pension. Eligibility for the Section 306 and Old Law pensions is restricted to beneficiaries who were continuously receiving benefits between the last date on which one could establish eligibility under the program and the present. The last date for the Old Law Pension was June 30, 1960, and for the Section 306 pension, December 31, 1978. A person filing a new claim must qualify under the Improved Pension Program, and the comparisons made in Table B-1 (on pages 60 and 61) reflect the rules of the Improved Pension program.

The VBA considers the income and resources available to an individual's basic family unit in determining the eligibility and benefit amount. The amount of the pension benefit is based on the veteran's countable income. Beneficiaries are expected to report changes that would affect eligibility or benefit amounts, including changes in income, marital status, and out-of-pocket medical expenses.

In FY 2000, the VBA was expecting to pay approximately 373,000 veterans and 266,000 survivors slightly over \$3 billion in pension benefits (Department of Veterans Affairs, 1999). The maximum annual pension rate for a veteran living alone in 2000 is \$8,989. For veterans who are permanently housebound, the maximum rate is \$10,987, and for veterans requiring regular aid and attendance care, the maximum rate increases to \$14,999.

Appendix C

Simplification of the Food Stamp and Veterans Pension Benefits Programs

The Departments of Agriculture (USDA) and Veterans Affairs (VA) have made efforts over the past several years to simplify their rules for determining eligibility and benefit amounts. USDA's recent strategic plans include simplifying reporting rules while staying on course for meeting targets for program accuracy. The VA's efforts highlight the difficulties between simplifying the program and achieving its objectives.

Simplifying the Food Stamp Program

The Department of Agriculture's strategic plan for 1997-2002 contained two goals relevant to its stewardship responsibilities for the Food Stamp program. The first goal was to improve program integrity. The plan called for increasing the payment accuracy rate from the 1995 baseline rate of 90.28 percent to 91.2 percent in FY 2002 as the performance indicator for this objective (see p. 21 of the plan).¹ The second goal was to improve program efficiency.

The strategy identified in the plan for meeting both goals included providing technical assistance to the states on using the provisions of the Temporary Assistance for Needy Families (TANF) program to simplify the administration of the Food Stamp program. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193) allows states to simplify the process by using many of the rules and procedures from the TANF program in determining food stamp eligibility and benefit amounts for TANF recipients. The plan recognized that how states design and implement their Simplified Food Stamp program could affect their ability to meet the objectives of program integrity and efficiency.

The General Accounting Office (1999) has reported that few states are likely to develop a Simplified Food Stamp program. A primary reason cited for not developing a program was the concern by states that case workers would be burdened with a third set of eligibility criteria different from those required with the separately administered programs.

The strategy for achieving program efficiency also called for issuing regulations that would streamline the application process, reporting requirements, and rules concerning employment and training program requirements. The plan identified reducing the prescriptive requirements for the Food Stamp program (1996 *Code of Federal Regulations*) by 30 percent (about 140 pages) as one of the performance indicators of

¹ The department's *Fiscal Year 2001 Annual Performance Plan* (p. 15) indicates a revised target for payment accuracy of 90.7 percent by FY 2005 based on the FY 1998 baseline rate of 89.3 percent.

program efficiency. Rule changes were also expected to reduce the number of program waivers requested and needed by states.

Consistent with this strategy, the Department of Agriculture's Food and Nutrition Service (FNS) recommended in July 1999 that states:

- Shorten the recertification form.
- Conduct more recertification interviews by phone as opposed to face to face.
- Seek waiver of the \$25 reporting requirement and use \$100 as the threshold.
- Request waiver for households with earned income to allow them to report earned and unearned income changes on a quarterly basis and give them a 6-month as opposed to a 3-month certification period.

The reasons for these reporting changes are similar to some of the reasons cited in past recommendations to change the method of wage accounting in the SSI program. For example, FNS in announcing the waivers noted the burden for working families to comply with the existing reporting requirements and the administrative workload that the reporting requirements placed on the state agency.

The Food and Nutrition Service (2000, p. 11) met the FY 1999 interim target set for reducing the number of CFR pages of prescriptive requirements. However, program waivers actually increased that year. FNS noted that the rule changes that would reduce the need for waivers did not complete the clearance process in time for publication by the end of the fiscal year.

In December 1999, FNS indicated that it would waive additional reporting requirements. The agency notified states that they could use a quarterly system for eligibility factors other than income, including changes in residence, household composition, and deductible expenses.

The Department of Agriculture (2000) released an updated strategic plan in January 2000. The new plan for 2000-2005 identifies improving payment accuracy and program administration as two of its primary objectives under its goal to improve the stewardship of federal funds. The specific strategy for meeting those objectives includes a review of "its internal and program-level business processes."

In November 2000, FNS published final rules implementing the provisions and subsequent amendments to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. The preamble cites program simplification as an expected result of several of the rule changes. For example, the new rules for considering licensed

vehicles as countable resources are described as “greatly simplifying the vehicle resource determination.” The effect of those changes eliminates the equity test for most vehicles.² Other rule changes allow greater use of standard amounts for determining income deductions and self-employment expenses and are expected to simplify the states’ administration of the program.

Simplifying the Veterans Pension Benefits Program

The Veterans Pension Benefits program, like the SSI program, has been criticized in recent years for its complexity, and the Department of Veterans Affairs has had ongoing efforts to look at simplifying the program.

In August 1996, the Veterans Benefits Administration issued the report *Reengineering Claims Processing*, which documents the results of efforts to reengineer their business processes. The report called for simplifying the myriad laws and regulations for adjudicating pension claims. The report was critical of current rules that require changing pension amounts dollar for dollar on the basis of changes and the need for submitting an annual eligibility statement even if income amounts did not change. The results of the reengineering effort also included recommendations for a standard medical deduction and a presumptive disability finding based on age as examples of ways to simplify the program.

A congressionally sponsored study released in December 1996 by the Veterans’ Claims Adjudication Commission recommended simplifying the disability pension program by changing its income rules and reporting requirements. The commission noted that recipients of disability compensation benefits outnumber recipients of disability pension benefits four to one and that benefit outlays for the disability compensation program are seven times greater than those for the disability pension program. However, the means-tested disability pension program requires twice as many staff resources to administer it.

The commission further found that the existing rules were complex and confusing and that simplification was needed for administrative efficiency. Some recommendations followed those in the reengineering report and included countable income bracketing to reduce the number of transactions required with dollar-for-dollar adjustments for changes in countable income and a standard medical deduction to eliminate the need for individual medical deductions. The commission also recommended replacing the complicated child hardship exclusion with a standard rule on the availability of income.

² Prior rules completely excluded a vehicle from the resource test if it was necessary to produce income, used as a home, necessary to transport a disabled household member, or necessary to carry fuel or water for home use. In addition to those uses, the new rules allow a total exclusion if the vehicle is classified as an inaccessible resource (that is, likely to produce a return of no more than \$1,500). For vehicles not totally excluded, the prior rules exempted from the equity test and the required evaluation of the fair market value only one licensed vehicle for the household and any vehicle used for work, school, or training. The new rules expand the equity test exemption to one licensed vehicle for each adult household member and for a member under 18 if the vehicle is used for work, school, or training. The equity test now applies only to any other vehicles the household possesses and requires counting the higher of the fair market value or the equity value.

The Department of Veterans Affairs convened a workgroup to recommend how the department should respond to the commission's report. The workgroup's responses to some of the recommendations for simplifying the program reflect the workgroup's consideration of program objectives and the tension that exists between those objectives and program simplification. For example, in response to the recommendation to replace the standard medical deduction by building a flat amount for medical expenses into the rate of payment, the workgroup noted the program's objective of basing the benefit amount on the amount of income that is reasonably expected to be available to the beneficiary (Department of Veterans Affairs 1997, pp. A70-A73). The workgroup cited the fact that only one in five beneficiaries claim the deduction and that a standard deduction would provide an additional benefit for the 80 percent whose nonreimbursable medical expenses do not exceed the 5 percent cap.

In April 1997, the Secretary for the Department of Veterans Affairs responded to the workgroup's recommendations and decided that the ones for simplifying the program should be studied further.

The VA's performance plan for FY 1999 identified program simplification, including reducing reporting requirements, as part of its strategy to improve the administration of the pension program (Department of Veterans Affairs 1999, p. 6). A decrease in payment errors and a reduction in the level of staff to administer the program are expected outcomes of the initiative.

The strategic plan for FYs 2001-2006 calls for simplifying the rules and regulations governing the application and eligibility determination processes for the Veterans Pension Benefits program (Department of Veterans Affairs 2000, pp. 38-39). The plan identifies several measures of service delivery, including increased payment accuracy and decreased processing time, as simplification outcomes.

Appendix D

Methodology of the Wage Averaging Study

In 2000, the Social Security Administration (SSA) conducted a study of the effect of averaging wages over the lesser of the months worked for an employer or over a calendar year. Approximately 714,000 Supplemental Security Income (SSI) cases involve earnings by the eligible individual, a spouse, or the parent(s) of an eligible child.¹ SSA randomly selected 200 child beneficiaries, 201 eligible individuals with no spouse, 202 eligible individuals with an ineligible spouse, and 193 eligible couples from the 10 percent household file (a sample of files from the universe of SSI beneficiaries) for June 1997, matched to the June 2000 file. The cases needed to contain earnings for the eligible person, a spouse, or a parent of an eligible child in 1997 and remain in continuous payment since 1997.

The sample was then further refined to exclude cases involving manual payment computations, only self-employment, or benefit termination between June and July 2000. Cases with manual payment computations were excluded because it was not possible to ensure the accuracy of either the original payment computation or all income and related information on the Supplemental Security Record (the file where SSI payment information is stored). Cases with only self-employment were excluded because that income is already averaged under current policy. Cases in which benefits had been terminated were excluded because the SSI payment system could not recompute benefits for those records. The final sample contained 169 child beneficiaries, 142 eligible individuals with no spouse, 150 eligible individuals with an ineligible spouse, and 113 eligible couples.

SSA extracted the July 2000 records for the sample beneficiaries and studied wages and payments for 1996 and 1997. Average wages were posted to those records over consecutive months containing positive wages within each year, since the Supplemental Security Record does not include information about when a period of employment with a specific employer begins or ends. In cases involving overlapping periods of employment with different employers, the average wages under Option 1 (discussed in Chapter 2) would differ somewhat from the averaged wages used in the analysis.

SSA manually entered average wage amounts in 1996 and 1997 into the SSI benefit payment system and allowed the system to recompute benefits. Payment and income data were extracted both before and after wages were averaged. Payment data for January through December 1997 were then compared under current policy and under wage averaging. In many cases, average wages in November and December 1996

¹ These numbers include cases involving wages or self-employment. Of these cases, 331,150 (46.4 percent) are eligible children; 104,560 (14.6 percent) are eligible individuals with ineligible spouses; 260,606 (37.3 percent) are eligible individuals with no spouse; and 12,260 (1.7 percent) are eligible couples.

influenced payments in January and February 1997 because of retrospective monthly accounting under program regulations.

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